# Automotive/Specialty Chain Census

CHIEF
AUTO
PARTS
ELEVEN

## Chief Auto Adds 45 Units in 1980

DALLAS—Southland Corp., operators of the 7-Eleven convenience store chain, got into automotive specialty retailing in a big way in 1978 when it acquired 119 Chief Auto Parts stores.

By the end of fiscal 1980 (ended Dec. 25) the chain had grown to 216 units, 45 of which opened during the last fiscal year.

Looking to build on its convenience store sales, which grew by 23.7% last year to nearly $4 billion with nearly half that increase coming from gasoline sales, the chain opened Chief stores alongside 22 of its 7-Elevens.

Sales for the Chief chain rose 33% last year, but they are not reported separately from the company's special operations group sales, which last year accounted for 2% of the company's volume, or $122.3 million.

## Western Auto Closes 150 stores; Other Chains Show Modest Gains

| Chain | No. of Units | | | Sales in Millions | |
|---|---|---|---|---|---|
| | May '80 | May '81 | Dec. '81 | fiscal 1980 | fiscal 1981* |
| Western | 3,450 | 3,300 | 3,300 | 630.0 | N/A |
| Pep | 101 | 105 | 105 | 199.8 | N/A |
| Grand | 69 | 78 | 80 | 100.2 | 118.0 |
| Empire Crown | 52 | 49 | 47 | 23.1 | 27.0 |
| Guarantee | 41 | 40 | 44 | 23.0 | 24.5 |
| Whitlock | 56 | 47 | N/A | N/A | N/A |
| Fleenors | 46 | 46 | 47 | 16.5 | 18.5 |
| Schucks | 46 | 51 | N/A | N/A | N/A |
| Hi-Gear | 42 | 42 | 42 | N/A | N/A |
| Aid | 73 | 74 | 77 | 14.0** | 14.0** |
| Rose | 25 | 28 | 29 | 7.6 | 10.5 |
| Save | 16 | 17 | 18 | 7.5 | 8.2 |

*Company projections.
**Represents only retail sales from company-owned units.

Except for Sunbelt operations, auto specialty stores had a lean year in 1980. However, a round of remodelings to more self-service formats, increased service promotions—and the closing of service-offering filling stations—are expected to make 1981 a stronger bottom-line year.

## Western Auto Gears Down to 3,300 Units

KANSAS CITY, Mo.—While still the industry leader with 3,300 units, Western Auto has been getting steadily smaller over the course of the last five years. In 1980 alone, the company closed 150 stores—29 of them company-owned and operated units and the rest privately owned associate stores operating under the Western name.

Five years earlier, on Dec. 31, 1976, there were 4,659 Western units—520 company-operated stores and 4,139 that Western sold to through its wholesale arm but that were privately owned.

"We have no plans to continue closing company-operated stores," said a Western spokesman, who added that the stores had been closed because of a combination of unprofitability and location—a composite of downtown locations or single-store markets.

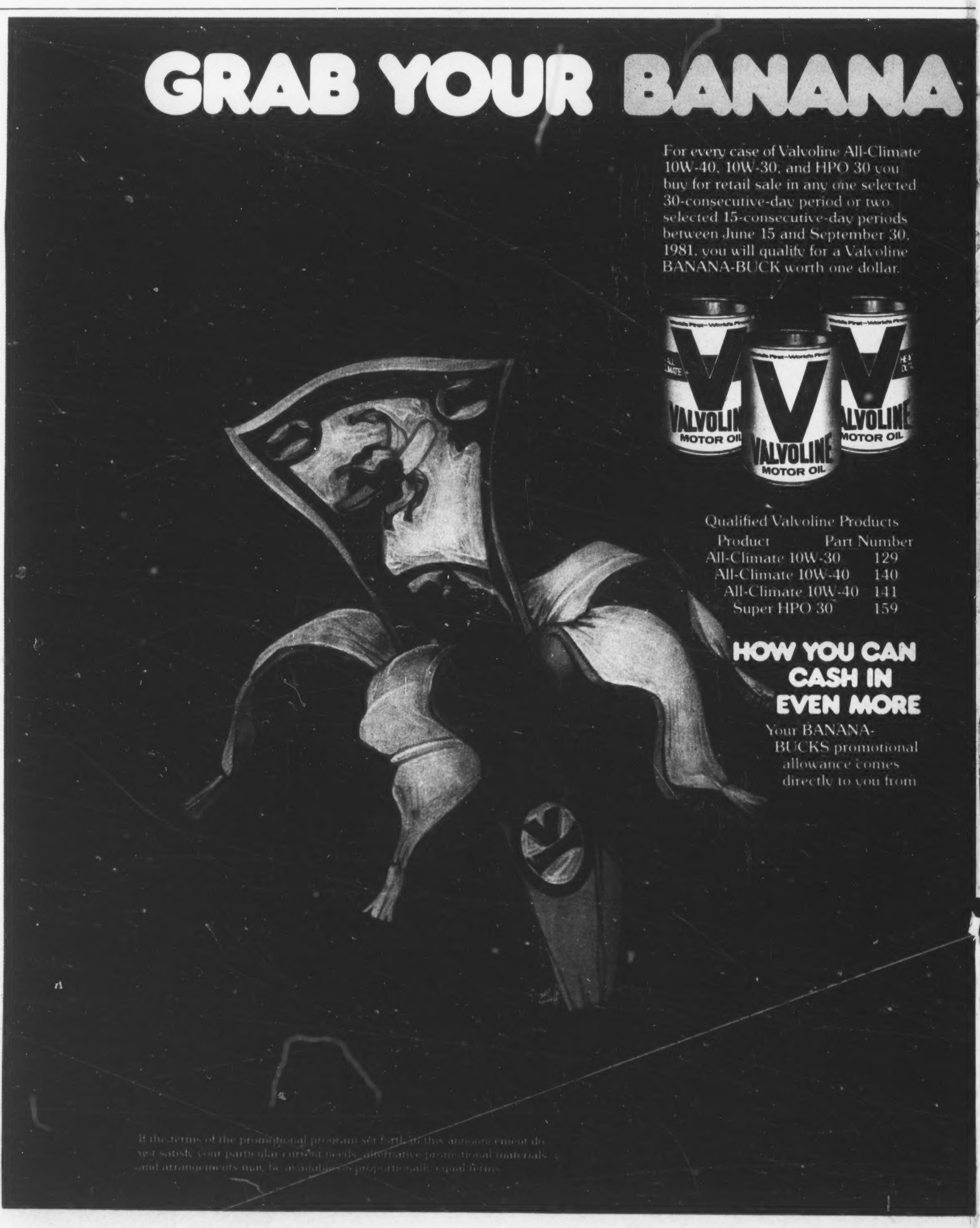
Western Auto currently operates stores in 34 states and the District of Columbia.

Net sales of Western, which is a subsidiary of Beneficial Finance, totaled $625,531,000 for the year ended Dec. 25, 1980. This was a 9% decline from the previous year's net sales. Twenty-five per cent of these sales were at retail, the rest came from Western's wholesale operations, including the sales of two subsidiaries: Midland International a wholesaler of CB radios, auto sound and land-mobile equipment, and Eva Gabor International, a wholesaler of wigs and hairpieces.

Western's retail sales for the fiscal year ended Dec. 25, 1979, totaled $177,108,000 on net sales of $687,730,000.

## Heck's Sales Up 10% in 1st Quarter

CHARLESTON, W. Va.—Heck's sales for the first quarter ended March 31, 1981, advanced 10% to $95,615,200 from $87,006,800 in the first quarter of 1980.



For every case of Valvoline All-Climate 10W-40, 10W-30, and HPO 30 you buy for retail sale in any one selected 30-consecutive-day period or two selected 15-consecutive-day periods between June 15 and September 30, 1981, you will qualify for a Valvoline BANANA-BUCK worth one dollar.

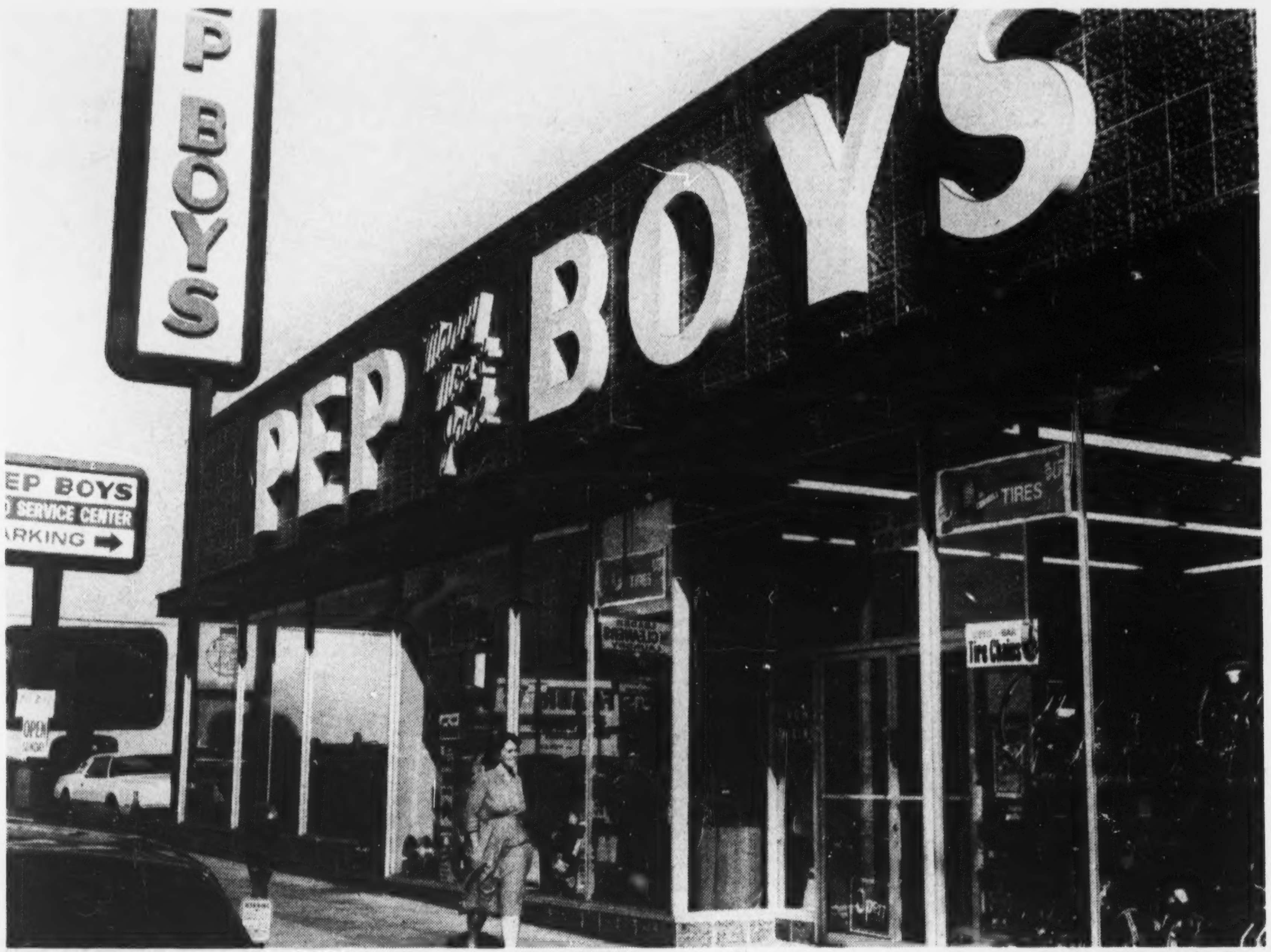
Qualified Valvoline Products

| Product | Part Number |
|---|---|
| All-Climate 10W-30 | 129 |
| All-Climate 10W-40 | 140 |
| All-Climate 10W-40 | 141 |
| Super HPO 30 | 159 |

HOW YOU CAN CASH IN EVEN MORE

Your BANANA-BUCKS promotional allowance comes directly to you from

If the terms of the promotional program set forth in this announcement do not satisfy your particular current needs, alternative promotional materials and arrangements may be available on proportionally equal terms.



Pep Boys will cross the $200-million-sales mark this year with 105 stores in operation, 85 of them in five Eastern states and the District of Columbia and the rest in California and Arizona. *(DSN photo)*

# The Pep Boys Hit Half-Way Point in Remodeling Plan

PHILADELPHIA—Funding its remodeling program out of working capital, The Pep Boys are half through a chainwide remodeling program begun two years ago.

However, a company spokesman pointed out, "We're really always remodeling because each generation of stores changes the concept." Then he added: "There really is no one prototype layout."

The main feature of the remodel is the conversion of the stores to a strictly self-service merchandising approach. The program also upgraded the stores' appearance.

Average store size for the chain has gotten larger over the past two and a half years due to the shutdown of the chain's smallest units, which averaged between 5,000 sq. ft. and 7,000 sq. ft. Stores opened today range from 15,000 sq. ft. to 22,000 sq. ft., including service bays.

The company has no new stores planned for 1981, although last year marked its period of largest growth with nine new stores opened.

The company closed five stores last fiscal year and a 6th in the 1st quarter of this year because of disappointing sales results.

Net sales for the fiscal year ended Jan. 31, 1981, rose 9.8%, to $199,823,000. Net earnings advanced 22.7%, to $7,722,000, compared with 15.1% and 36.3%, respectively, in the last two fiscal years.

This year, tire sales accounted for 13.5% of total volume, down from 15.4% of volume the year before. Tire sales were hurt by a reduction in consumer driving and longer tread life in certain tires, according to a company spokesman.

Cost of goods sold, buying warehousing and occupancy costs as a percentage of sales has remained fairly constant for the past three years, totaling 68.4%, 68.5% and 67.9% for fiscal 1980, 1979 and 1978, respectively.

Sales, general and administrative (SGA) costs also remained fairly constant totaling 24.2%, 24.3% and 24.6% for fiscal 1980, 1979 and 1978, respectively.

# Hard Parts Take Center Stage at Guarantee Auto

INDIANAPOLIS—A center-of-the-store hard parts counter is the keystone of Guarantee Auto Stores, headquartered here.

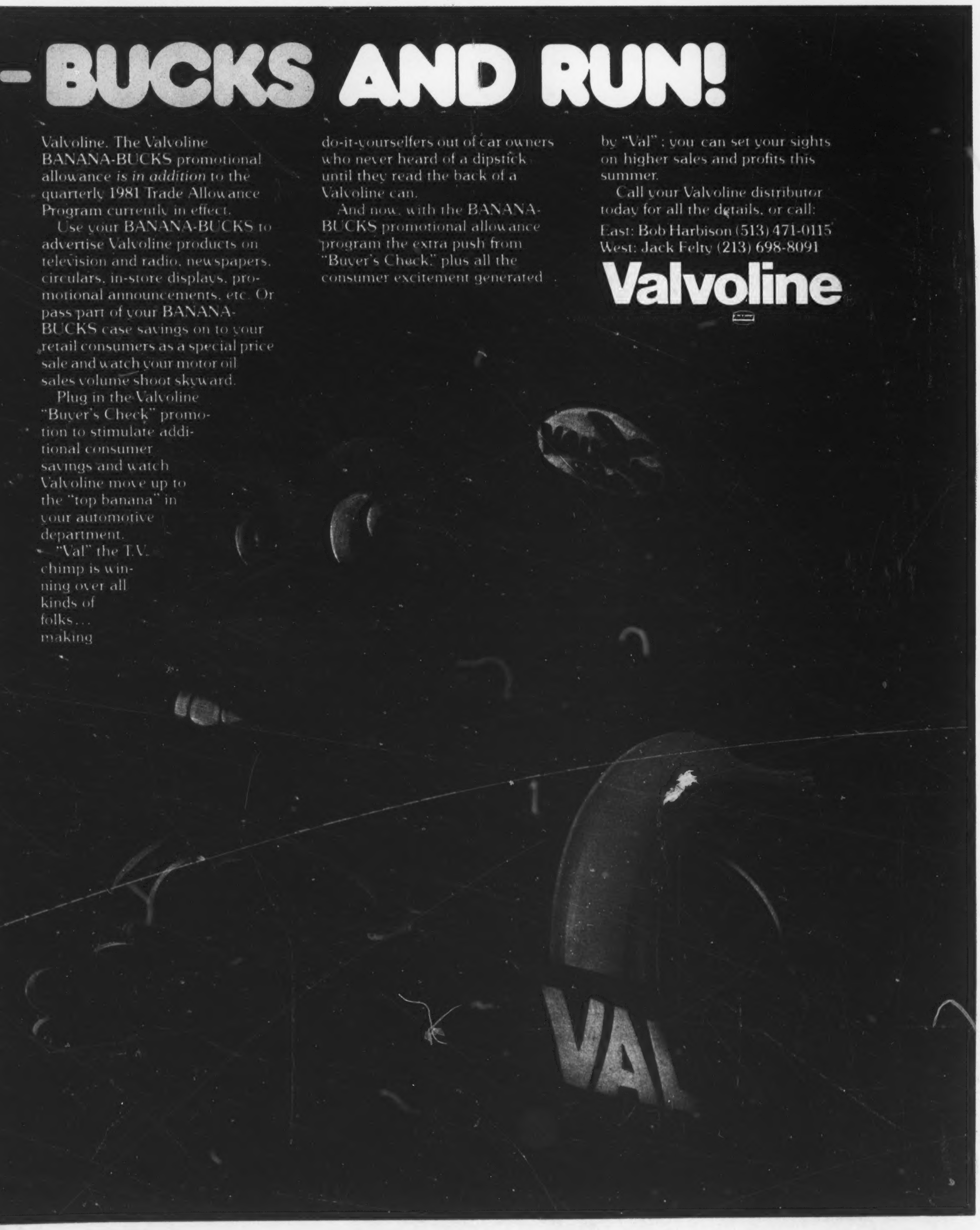
In the past the company set its parts counter at the rear of the store, near the entrance to the service area. Now, according to a company spokesman the counter will be located in the center of the store. The advantage: "It will centralize our knowledgeable salespeople." That, combined with self-service stocking, should make the store even easier to shop, he said. Fifteen stores will be remodeled to the new prototype this year.

At the same time, the company is moving deeper into hard parts, particularly those for foreign cars, and is putting more emphasis on its service capabilities.

"We're not running more space to advertise our service department," the spokesman said, "but we have increased our [service advertising] frequency by 25%."

Service (labor) sales now account for approximately 12% of sales, he added, noting as more service stations become strictly filling stations he expects business to pick up even more.

In merchandise, the chain is looking at new products now coming into their own in the market. Cruise controls, for example, are one product category the company is about to move into its stores.



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Valvoline. The Valvoline BANANA-BUCKS promotional allowance *is in addition* to the quarterly 1981 Trade Allowance Program currently in effect.

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Plug in the Valvoline "Buyer's Check" promotion to stimulate additional consumer savings and watch Valvoline move up to the "top banana" in your automotive department.

"Val" the T.V. chimp is winning over all kinds of folks… making do-it-yourselfers out of car owners who never heard of a dipstick until they read the back of a Valvoline can.

And now, with the BANANA-BUCKS promotional allowance program the extra push from "Buyer's Check," plus all the consumer excitement generated by "Val"; you can set your sights on higher sales and profits this summer.

Call your Valvoline distributor today for all the details, or call:

East: Bob Harbison (513) 471-0115
West: Jack Felty (213) 698-8091

Valvoline

# Scaled-Down Prototype to Ignite Market Growth for Grand Auto

parts
GRAND/AUTO
tires
BRAKE OVERHAUL
CREDIT GLADLY!
AUTO PARTS
WHEEL BALANCE

A new "mini-maxi" unit that combines a scaled-down mix and sales floor with the chain's standard service bay capabilities will guide Grand Auto's growth in the next few years. *(DSN photo)*

OAKLAND, Calif.—A new scaled-down "mini-maxi" unit that combines a 4,000-sq.-ft. sales floor with the service bays found in its larger stores will play an increasingly important role in Grand Auto's future.

The mini-maxi is a cross between the chain's full-sized stores and a handful of 2,500- to 3,500-sq.-ft. "mini" test units which sell a whittled-down mix of only the chain's best-sellers and which offer no installation services. It will be used to fill in existing markets and to carry the chain into areas where driver registration counts are too low to support the full-sized, 12,000-sku's store, according to Robert Stamber, executive vice president.

"The results of our mini-store test were not as successful as we would have liked," Stamber said of the five-store test begun in late 1979.

The chain operates 400-plus service bays in 73 of its 78 stores, which are concentrated in the northern California and Nevada markets. "Service is what sets us apart from our competitors," said Stamber, who added that installation accounted for 8% of the chain's $100 million in sales for the fiscal year ended Jan. 5, 1981. In 1980, radio and TV advertising were expanded.

(In 1981, the chain will open its first southern California unit in Bakersfield—a move signaling the chain's interest in mining the market potential it perceives in its home state.)

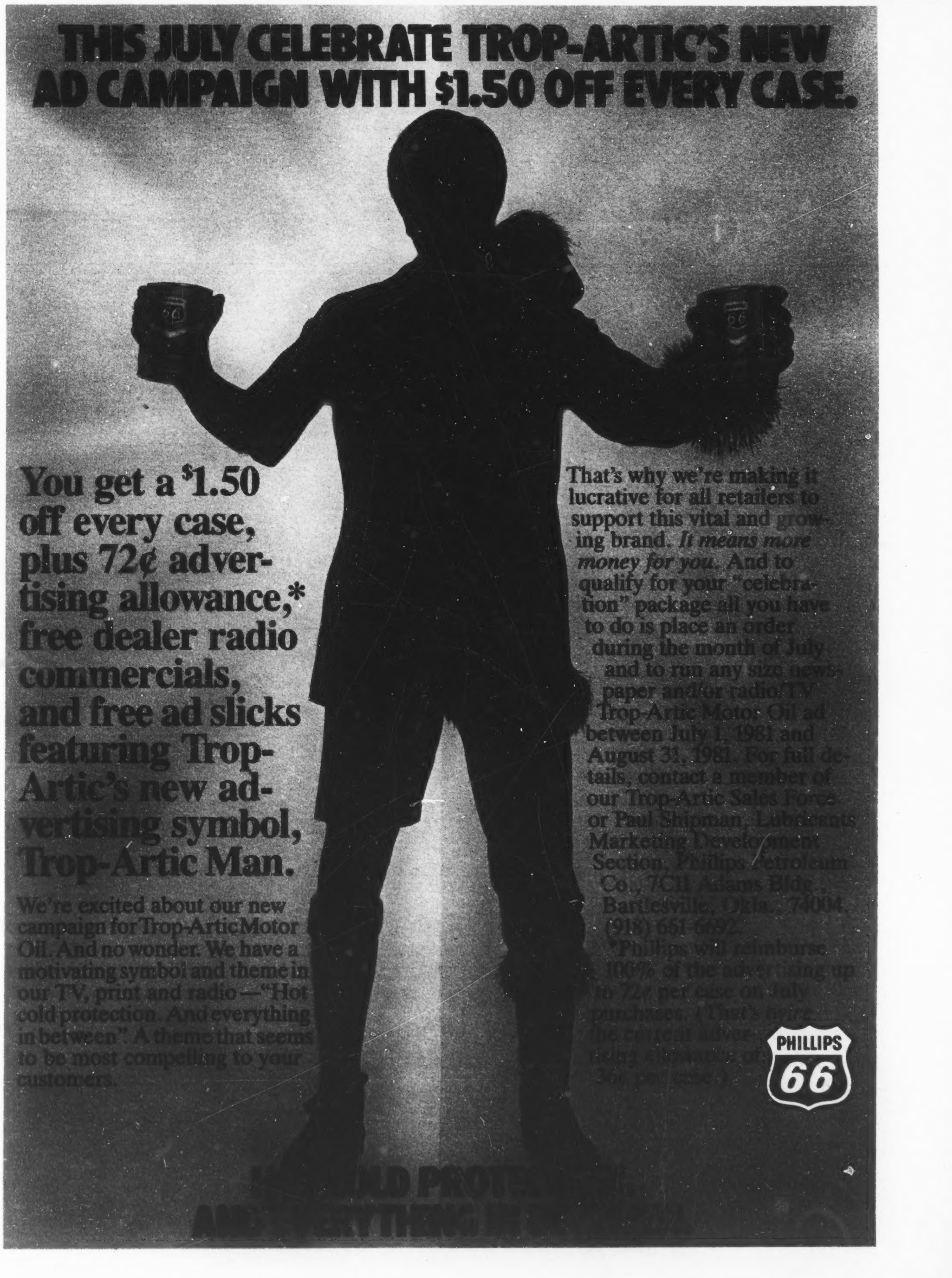
Hard parts, which got a new home at the rear of each store, thanks to a remodeling program begun in 1978 and finished this year, accounted for 27% of the last fiscal year's sales.

"We want customers to have to walk through our stores to get to the parts desk," Stamber said, explaining the change. In the past, service desks were located to the right or left of the store, and only in some instances were set at the rear of the sales floor. In addition, high-volume stores added registers to their parts counter—signed "rapid parts"—to speed up customer service.

Other features of the remodeling include a move toward earth-tone store interiors, "in part," Stamber said, "to make the stores more appealing to our female customer base which has been steadily increasing."

THE ONLY SERIOUS SOLUTION IS AT BOOTH 3857/3858

Rush-Hampton Industries at the Housewares Show.


THIS JULY CELEBRATE TROP-ARTIC'S NEW AD CAMPAIGN WITH $1.50 OFF EVERY CASE.

**You get a $1.50 off every case, plus 72¢ advertising allowance,* free dealer radio commercials, and free ad slicks featuring Trop-Artic's new advertising symbol, Trop-Artic Man.**

We're excited about our new campaign for Trop-Artic Motor Oil. And no wonder. We have a motivating symbol and theme in our TV, print and radio—"Hot cold protection. And everything in between". A theme that seems to be most compelling to your customers.

That's why we're making it lucrative for all retailers to support this vital and growing brand. *It means more money for you.* And to qualify for your "celebration" package all you have to do is place an order during the month of July and to run any size newspaper and/or radio/TV Trop-Artic Motor Oil ad between July 1, 1981 and August 31, 1981. For full details, contact a member of our Trop-Artic Sales Force or Paul Shipman, Lubricants Marketing Development Section, Phillips Petroleum Co., 7C11 Adams Bldg., Bartlesville, Okla., 74004. (918) 661-6692.

*Phillips will reimburse 100% of the advertising up to 72¢ per case on July purchases. (That's twice the current advertising allowance of 36¢ per case.)

PHILLIPS 66

HOT COLD PROTECTION. AND EVERYTHING IN BETWEEN.

*Announcing . . .*

**The 30th**
**Transworld Housewares**
**And Variety Exhibit**
***July 10-15, 1981***
**O'Hare Exposition Center**
(near Chicago O'Hare Airport)

***The Biggest***
***Order Writing Shows In America***

*Because . . .*
Buyers know they can find the new, hot, promotional profit makers at the Transworld Shows. They have been finding the profit-makers and traffic builders at the Transworld Shows for several decades. July is the time to plan for Christmas sales.

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**Transworld Exhibits Inc.**
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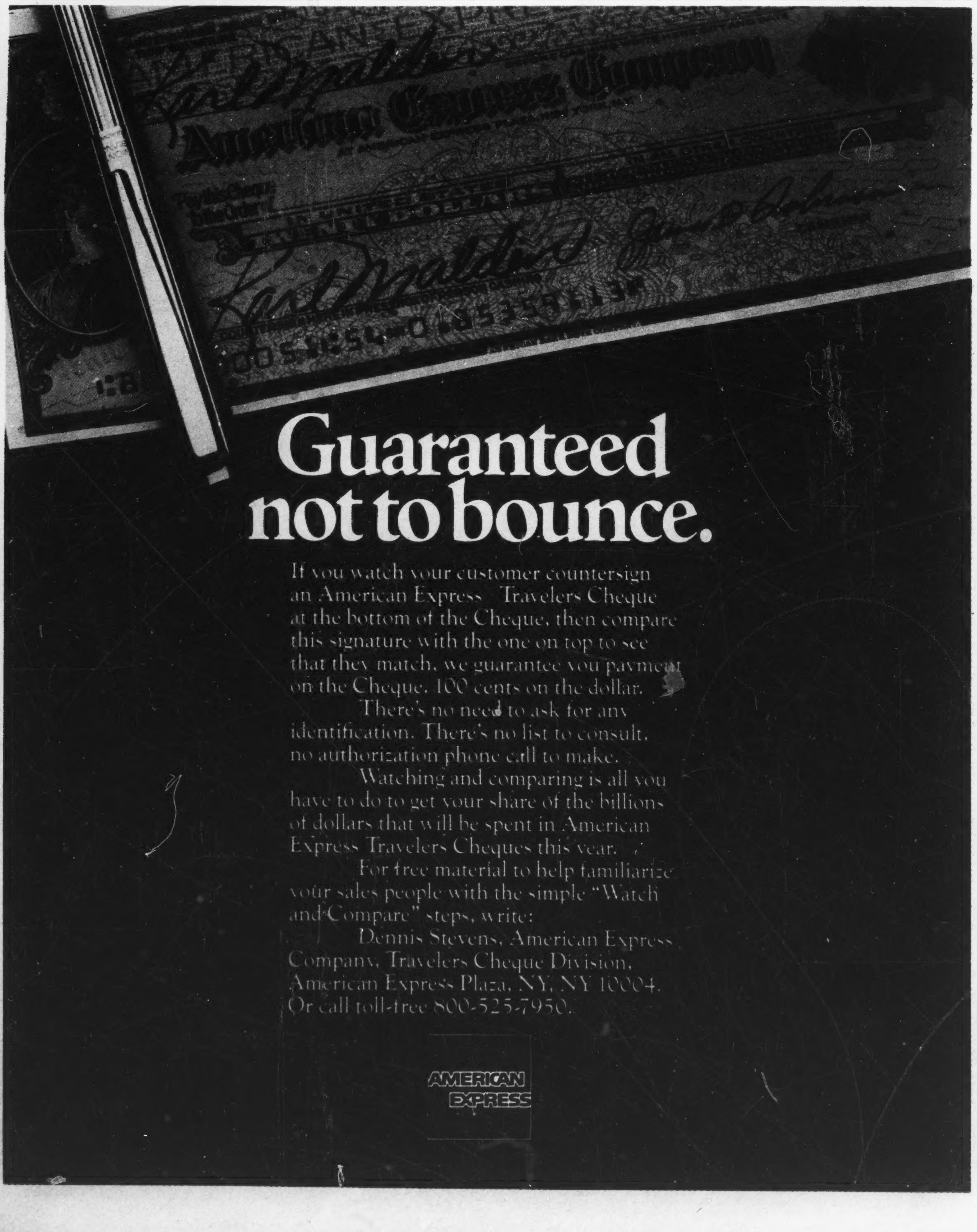

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Watching and comparing is all you have to do to get your share of the billions of dollars that will be spent in American Express Travelers Cheques this year.

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AMERICAN EXPRESS

# Empire Crown Eyes Service As Sales Boost

EDEN PRAIRIE, Minn.—A new "super store" program and greater emphasis on service in chain promotions have been targeted by Empire Crown to improve 1981 sales and earnings performance.

The stepped-up emphasis on service—visible in the number of appearances in chain print ads—is expected to boost service (labor) sales from 10% of chain volume to 20% to 25% this year, according to Joseph Adelman, president.

"Consumer buying habits changed last year," Adelman said.

Adelman anticipates a swing back to car maintenance, boosted by the economy pressing more car owners into do-it-yourself repairs and the growing numbers of gasoline stations getting out of the service end of the business, will boost his company's sagging bottom line.

Sales for the first quarter ended March 28, 1981, were ahead 38.9%, to $5,557,748, compared with $4,000,990 the previous year, but the bottom line was written in red ink: Losses for the quarter totaled $143,789—although this was an improvement over the $183,609 loss posted in the same quarter a year ago when the company was operating more units, including nine leased departments in Zayre stores.

(Today Empire Crown operates only two leased departments—down from 14 a year ago. The remaining departments are in two local Holiday Village stores; three other leased departments in Prange Way stores were converted to Empire Crown units last year.)

After-tax profits in the last fiscal year ended December 1980 totaled approximately $80,000 as compared to $406,000 the year before.

In addition to the emphasis on service, the chain is counting on its recently unveiled super store program to make a bottom-line difference.

The program has targeted 20 of the chain's biggest volume stores to carry a heavier-than-usual inventory. This inventory is used as a back-up supply for neighboring stores, to cut down the delivery time from warehouse to store.

"The idea is to build up inventory in those key stores and then use them to service other stores nearby," Adelman said. "This way we can more quickly supply our customers."

The company also hopes to build its earnings base this year with sales from its recently acquired West Coast division, Interstate Auto in California.

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# Target's Sales Up 57% in April

MINNEAPOLIS—April sales at Target, including sales at Ayr-Way, were up 57% from last April (34% without Ayr-Way).

Parent company Dayton Hudson reported net retail sales for the four weeks ended May 2, 1981, of $325,476,000, up 37.1% from $237,449,000 in the comparable period a year earlier. Excluding Ayr-Way, the increase was 28.5%

For the 13 weeks ended May 2, 1981, sales increased 29.4%, from $735,769,000 to $951,895,000. Dayton Hudson acquired the 40-store Ayr-Way chain in the third quarter of last year.

## Specialty Chain Census/H&BA

# Revco Passes $1 Billion Sales Mark In '80, Continues New-Store Drive

TWINSBURG, Ohio—Revco passed the $1 billion sales mark in the fiscal year ended May 31, 1980, and continued its aggressive store-opening campaign—keeping its place as unit leader among specialty drug chains.

Sales increased 17.7% from the previous year to $1.2 billion. Earnings increased 14.7% to $38.9 million as the chain expanded sku's of private label, in-and-out promotional and cosmetics items.

Store expansion is ahead of schedule with the acquisition since the first of the year 112 stores (mostly in Texas) from Skillern's, the drug division of Zale Corp.; eight Sav-Rites in Kentucky, and 17 units of the May chain, Rock Island, Ill., from Lucky Stores.

New-store openings are also ahead of plan, with 81 of the slated 120 already completed. Building two per week through December, Revco projects 1,564 stores at the end of the calendar year.

Most growth will continue to be concentrated in the Sunbelt, in the Southern and Southwestern locales where many acquired stores strengthen the chain's base.

To accommodate growth patterns, warehouses in Phoenix, Somerset, Pa., and Henderson, N.C., have been expanded and remodeled.

Despite the specialty drug chain trend to larger stores, Revco is sticking to its 8,450-sq.-ft. prototype in most cases. Marc Dworkin, senior vice president, marketing, however, did say that as additional space becomes available at smaller, high-volume stores, larger stores will be developed. As an example, he cited the recent expansion of a 3,200-sq.-ft. store in a downtown location with $1 million volume base into an adjacent 8,400 sq. ft. that recently became available.

As for merchandising trends, Dworkin said:

"We are taking a hard look at inventory because of higher interest, distribution and energy costs which affect our bottom line. We will make selective item cuts.

"All retailers should be aware that sales and markdowns are coming earlier and earlier, and we have conditioned consumers to cherrypick, each and everyone of us, to not buy at everyday prices. If we sat down and analyzed it, we would see that we are just trading dollars."

The chain continues to specialize in prescriptions and health and beauty aids, but its 8,000 sku's now also include more convenience foods, glassware, housewares and small wicker goods called "special value merchandise," because it is fashionable.

Private label items are also playing an expanding role. When a nationally recognized brand begins to "take off," or where no brand loyalty has been established, Revco is developing profitable private label programs.

As an example, the chain offers more PL than branded goods in vitamins and has just introduced a line of private label nail care items whose margins are higher.

Cosmetics sku's were significantly expanded to include broader selections.

### Thrifty, Rite Aid, Longs Poised To Join Revco at $1 Billion Level

| Chain | No. of Units<br>May '80 | <br>May '81 | <br>Dec. '81 | Volume in Millions Last Completed Fiscal Year |
|---|---|---|---|---|
| Revco | 1,247 | 1,506[A] | 1,564 | $1,093 |
| Thrifty | 518 | 529 | 579 | 949 |
| Rite Aid | 800 | 914[B] | 955 | 944 |
| Longs | 122 | 149 | 163-165 | 893 |
| SupeRx | 483 | 524 | N/A | 635 |
| Drugfair | 171 | 176 | 178 | 296 |
| Dart | 75 | 69 | 66 | 260 |
| Fay's | 109 | 84 | 87 | 243 |

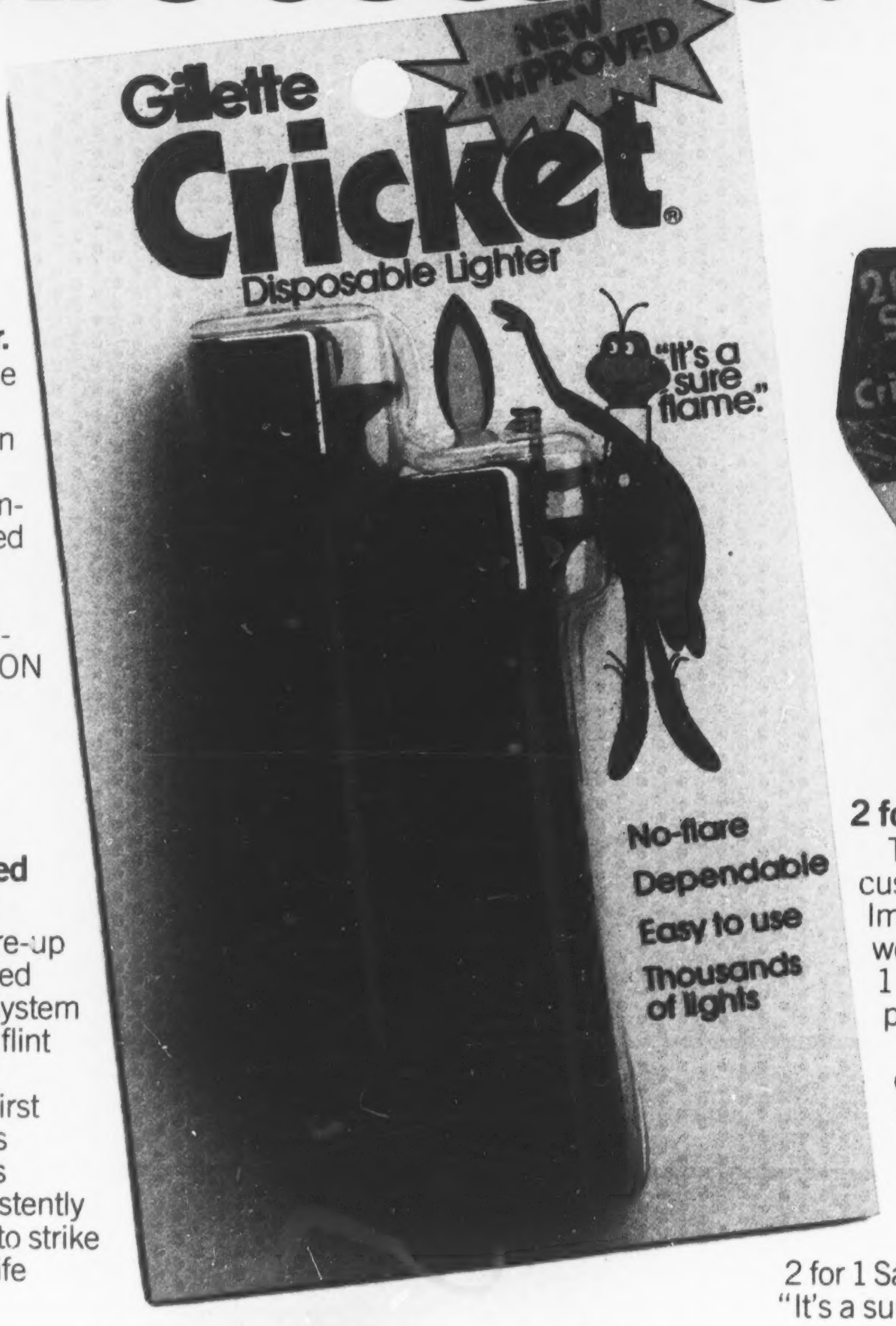
*[A] Includes acquisition of 112 Skillern's, 8 Sav-Rite and 17 May stores.*
*[B] Includes 31 Fay's stores acquired in April.*

The big specialty-drug chains got bigger and the small got smaller in the last year. Sales for the top four chains increased an average of 15%, but profits were harder to attain. For chains big and small, the answer to low margins and high costs was to consolidate.

ANYTHING ELSE IS LESS

We'll tell you why
at the Housewares Show.
Rush-Hampton Industries
Booth 3857/3858.

New
Improved Cricket.®
It's a sure
fire success.

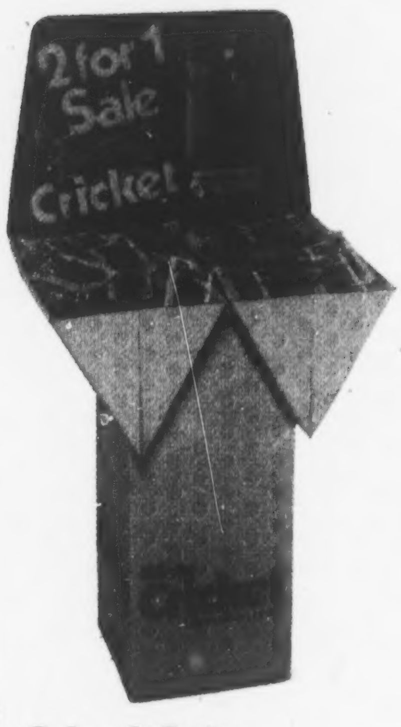


Consumer satisfaction unsurpassed by any other disposable lighter.

Extensive consumer use testing over a nine week period involving 2000 men and women using New Improved Cricket and competitive products confirmed the following.

NEW IMPROVED CRICKET DELIVERS PERFORMANCE SATISFACTION UNSURPASSED BY ANY OTHER DISPOSABLE LIGHTER.

New Improved Cricket
- No Flare-up
- Patented valve system
- Wider flint wheel
- Sure first strikes
- Lights consistently
- Easy to strike
- Dependable
- Longer life
- Thousands of lights



2 for 1 Sale

To introduce your customers to New Improved Cricket, we're offering a 2 for 1 sale. (With proof of purchase by mail.)

And our new quick set up floorstand display sells it all.

Order your new Cricket disposable lighters and the 2 for 1 Sale display today. "It's a sure flame."

Gillette

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## H&BA/Specialty Chain Census

# Thrifty Steps Up Remodeling Program, Sets 25 Stores a Year Through '85

LOS ANGELES—Thrifty Drug is stepping up its remodeling programs in a continuing effort to bring existing stores in line with prototype specifications that call for an interior facelift, a new floor plan and an expanded product mix.

Fifty stores will be remade this year—43 were remodeled last year and 49 were upgraded in 1979—and 75 units are scheduled to get the new look in each of the next three years. To date, 28% of the chain's approximately 555 stores have been remodeled.

In addition, the chain plans to open 25 new stores a year through 1985, and to offset openings by closing marginal units. This fiscal year, the chain will shutter 11 stores, compared with eight last year and 11 in 1979.

Sales for the first half of the current fiscal year ended Feb. 28, were up 11.3% to $523,869,000.

Earnings for the first half of the current fiscal year were up 19.8% to $11,772,000, on an 11.3% increase in sales to $523,869,000. Earnings per share increased from $1 to $1.20.

Sales for the last completed fiscal year ended August 1980 increased 10.6%, to $949.3 million, over the year-earlier period. Net profits for the year rose 3.9% to $14.7 million. During this period, sales advanced 10%.

The store remodelings, plus a revitalized mix that emphasizes higher-margin, faster-turning goods, are in part responsible for the earnings gains (although the mix is being controlled so that no single category contributes more than 10% of chain volume).

Among the changes evident in the new remodels are:

- A cosmetics department expanded and refixtured to become fully self-service. In the past, the area was semi-self-service, with some goods kept in a locked case.
- The absence of space-consuming products such as luggage and travel bags, and reduced sporting goods, plastic housewares and nursery departments to make room for faster-turning higher-margin products.
- Gondola heights lowered to eye level throughout the store, improved lighting and a new color scheme to accent the changes.
- Removal of a separate checkout for liquor, and moving of the liquor concourse to a side aisle from the front wall of the store.

The chain will continue to emphasize nationally branded consumables, a program begun a year ago.

Thrifty
DRUG AND DISCOUNT STORES
NEW STORE HOURS
EFFECTIVE APRIL 7th
MON. thru SAT.
SUNDAY
9AM-10PM
10AM-7PM

Thrifty, the Los Angeles-based specialty drug chain, continues to mass merchandise more categories as demonstrated by the recent expansion and conversion to self-service of cosmetics. As a result of stepped-up remodeling and projected steady new store growth, same-store sales are up, as are chainwide sales for the first half of fiscal 1981.

# Pic 'n Save's Net Jumps 65% in Qtr., 44% in Fiscal '80

CARSON, Calif.—Pic 'n Save's net earnings jumped 64% to $2.7 million on sales of $24.7 million for the first quarter ended March 31, 1981. Net earnings for the fiscal year ended Dec. 31, 1980 were up 44% to $14.8 million.

Sales for the fiscal year rose 33% to $113.6 million, with sales in the first quarter up 27%. The first-quarter sales increase was attributed to the eight new stores opened in 1980, and to increased volume in existing units, which accounted for more than 40% of the sales gain.

Aftertax interest income (net of interest) of $507,000, compared with $205,000 for the comparable 1980 first quarter, contributed to the net earnings increase.

Pic 'n Save, which specializes in discounting new closeout merchandise, opened two new units in the Phoenix, Ariz., area in May, bringing its store count to 72 in five Southwestern states.

# Four-Week Sales Gain at Vornado

GARFIELD, N.J.—Vornado, parent of Two Guys, had unaudited sales of $49,050,000 for the four weeks ended May 2, 1981, including leased department volume of $2,430,000.

For the corresponding four-week period ended April 26, 1980, sales were $43,770,000 including leased department volume of $2,110,000.

Sales for the 13-week period were $121,740,000, with leased department volume totaling $5,660,000. This was a decrease of 2.7% from last year's $124,322,000, with leased department sales of $5,098,000.

# Dollar General Net Up 20% in 1st Qtr.

SCOTTSVILLE, Ky.—Dollar General's first-quarter sales increased 23%, from $36,880,000 in the first three months of 1980 to $45,414,000 for the same period in 1981.

Net income was up 20%, from $124,000 last year to $149,000 this year.

Sometimes it takes a new twist to turn a profit.

# Carolinas Growth Helps Rite Aid Hit Goal

SHIREMANSTOWN, Pa.—Rite Aid solidified its base in North and South Carolina, opening 46 of 78 new stores there in the last fiscal year, and acquiring 31 Fay's stores in those states earlier this spring.

The takeover and new store growth helped the chain hit its expansion goal for the 2nd consecutive year and brings its total store count to 909 units.

Sales increased 16%, from $811 million in the previous year to $944 million in the fiscal year ended Feb. 28. Net profits from continuing operations increased 18.5%, to $35.8 million, from $30.2 million.

In 1980, the chain, begun as a health and beauty aid specialty operation, added pharmacies to all but 70 stores that were too small to accommodate the department. Historically, the chain only added pharmacies to its stores after certain traffic levels were reached. The policy helped keep operating costs down.

Aside from these 70 units, however, the chain has targeted drug and H&BA products as its key area.

"We've carved our niche in the market, and we're going to do what we know best—the drug business," a Rite Aid spokesman said.

The merchandise mix in the 6,500-sq.-ft. stores will continue to emphasize H&BA and pharmacy, although other chains have ventured into general merchandise categories.

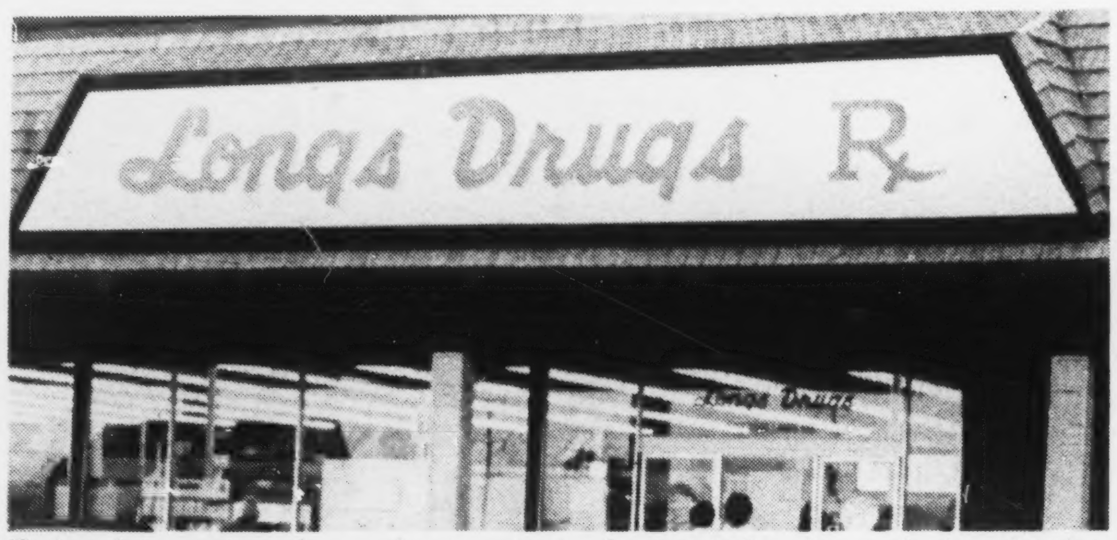
Housewares, stationery, school supplies and other such categories will continue to make up a "very minor part of business" at Rite Aids because of the store size, said a spokesman, adding, "We are gradually increasing the size of store we operate."

Also on tap this year is a remodeling of 10% of existing units.

Changes here will be mostly cosmetic—although some are designed to cut down on operating costs—such as the addition of new ceilings and lighting systems.

RITE AID Pharmacy

With the acquisition earlier this year of Fay's specialty drug stores in the Carolinas, Rite Aid contributed to two industrywide trends, consolidation of stores and exploitation of Sunbelt markets. Now 2nd largest in unit terms, Pennsylvania-based Rite Aid plans by year-end to push up store units to 955.



Poised to enter the select group of specialty-drug chains in the billion-dollar-sales club, Longs, with $893 million in sales last year, reported the highest sales per square foot in the industry, at $404.

# 16% Sales Hike Puts Longs In Sight of $1 Billion Mark

WALNUT CREEK, Calif.—A 16% increase in sales for the fiscal year ended January has put Longs Drug within striking distance of the billion-dollar-sales mark.

While net profits advanced at a slower pace of 10%, to $25.9 million, chain spokesmen said that without a LIFO charge of $3.5 million, the total would have been $29.4 million.

Per-store sales averaged $6 million for the chain, whose sales per square foot continue to lead the specialty drug industry at about $404.

That figure can, in part, be traced back to the chain's decentralized distribution network that couples 10,000 sq. ft. of warehouse with 17,000 sq. ft. of selling area in each store.

In addition, the chain is beginning to move beyond the borders of its home state, California, where 123 of 149 stores are clustered. The others are in Alaska, Arizona, Hawaii, Nevada and Oregon. To complement two existing stores in the Reno, Nev., market, Longs last year bought two nearby Pay Less units.

Altogether, Longs opened 19 stores last year, setting a record for itself and doubling the average number opened annually throughout the 1970's.

No stores were closed, compared with the nine shuttered in the previous year, giving Longs a net increase of 27 stores in the last 12 months. With between 14 and 16 new units slated for the current year, for the chain's total number of operating units will approach 165 stores—of which Longs owns 63%.

On the merchandising side, the chain has taken the specialty drug industry's interest in convenience foods a step further with Kitchen Korners, 1,500-sq.-ft. departments offering dairy, deli and frozen foods. The program, tested in two stores last year, is being expanded to five other stores in California and Arizona this year.

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# 4-Wk. Sales Soar 20.5% at Sears

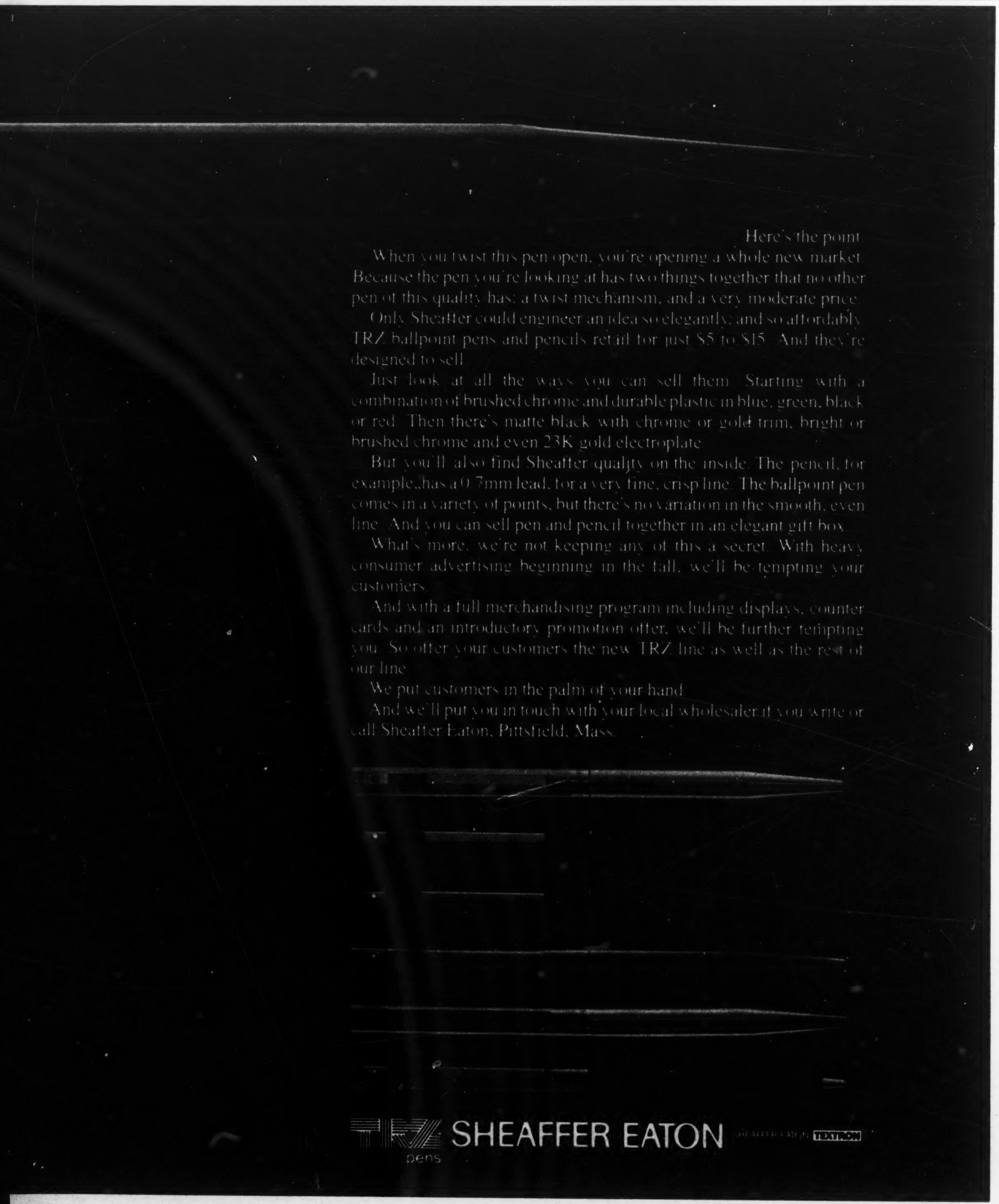
CHICAGO—Sears' merchandising sales for the four-week period ended May 2, 1981, were up 20.5% to $1,443,903,974, an increase of $245,445,523 over volume of $1,198,458,451 in the same period of 1980.

It was the largest increase for Sears' merchandising operations since December 1977.

# 4-Wk. Biz Jumps 14.1% at Woolworth

NEW YORK—The F. W. Woolworth Co. reported sales for the four weeks ended April 28, 1981, of $585,916,000, an increase of 14.1% over $513,590,000 during the comparable period in 1980.

For the cumulative 13 weeks, sales were $1,606,979,000, up 5.5% over $1,523,155,000.


Here's the point.

When you twist this pen open, you're opening a whole new market. Because the pen you're looking at has two things together that no other pen of this quality has: a twist mechanism, and a very moderate price.

Only Sheaffer could engineer an idea so elegantly; and so affordably. TRZ ballpoint pens and pencils retail for just $5 to $15. And they're designed to sell.

Just look at all the ways you can sell them. Starting with a combination of brushed chrome and durable plastic in blue, green, black or red. Then there's matte black with chrome or gold trim, bright or brushed chrome and even 23K gold electroplate.

But you'll also find Sheaffer quality on the inside. The pencil, for example, has a 0.7mm lead, for a very fine, crisp line. The ballpoint pen comes in a variety of points, but there's no variation in the smooth, even line. And you can sell pen and pencil together in an elegant gift box.

What's more, we're not keeping any of this a secret. With heavy consumer advertising beginning in the fall, we'll be tempting your customers.

And with a full merchandising program including displays, counter cards and an introductory promotion offer, we'll be further tempting you. So offer your customers the new TRZ line as well as the rest of our line.

We put customers in the palm of your hand.

And we'll put you in touch with your local wholesaler if you write or call Sheaffer Eaton, Pittsfield, Mass.

TRZ pens SHEAFFER EATON

SHEAFFER EATON TEXTRON

# Specialty Chain Census/Toys

## Toys "R" Us Expands in New Areas

ROCHELLE PARK, N.J.—Toys "R" Us has continued to spread its wings into new territories, further cementing its position as the country's leading toy specialty retailer.

The chain now accounts for approximately 7.5% of all retail toy sales in the United States, up 1.5% from the year before.

### Enters New Market

During the fiscal year ended Feb. 1, 1981, Toys "R" Us unveiled 16 new stores, four of which were in the Seattle/Portland area, and a new market for the chain.

In 1980, eager for new markets, the chain stretched its New Jersey-based operation into Oklahoma City and Dallas-Fort Worth. This year, the chain hopes to open 20 new stores, including a new unit in downtown Chicago, which will replace two smaller nonprototypical stores. The chain will also make its debut in the Philadelphia Metropolitan Area with five or six stores, and open a new warehouse/distribution center to serve the new market. Expansion plans for next year include a move into the Florida market.

Toys "R" Us took an aggressive stance this past census year, sacrificing gross margins to build on its customer base. The chain's inventory system enabled it to detect the impending decline in consumer interest in some first-generation, hand-held electronic games. "We cleaned our shelves of this merchandise before other retailers spotted the trend and were able to replenish our stocks with more wanted basic merchandise," said Charles Lazarus, chairman and chain founder.

### Earnings Climb

For the latest fiscal year, sales rose 24.4% to $597.3 million compared to $480.3 million in the previous year. During the same period, net earnings climbed 8% to $28.9 million, representing a 4.8% sales/earnings ratio. Earnings for the year were reduced by a LIFO charge of $3.2 million, compared to a LIFO charge of $701,000 the year before. Net earnings per share have been restated to reflect the 3 for 2 stock split effected on July 28, 1980, and the adoption of new rules for vacation pay accounting. Same-store sales grew 10.2% in fiscal 1981, while shareholders' equity jumped 24.5% to $150 million, and cash balances jumped to $76 million.

### Linked to Ad Budget

Selling, advertising, general and administrative expenses increased from 21.1% of sales in fiscal 1980 to 22.0%. Management linked this rise to a beefed-up advertising budget and higher payroll and related costs. There were additional costs resulting from the company's move into larger corporate headquarters last February.

Fifty-five per cent of the chain's sales are rung up in November and December, and almost all of its earnings occur in the fourth quarter, management reported.

### *Top Toy Chains Near $1B Mark*

| Chain | No. of Units May '80 | May '81 | Dec. '81 | Volume in Millions Last Completed Fiscal Year |
|---|---|---|---|---|
| Toys "R" Us | 72 | 85 | 101 | $544.2 |
| Lionel Leisure | 65 | 96 | 116 | 206.7 |
| Child World | 66 | 68 | 71 | 174.2* |
| Circus World | 111 | 117 | 124 | 89.5 |
| Toys World | 47 | 53 | 53 | 31.8 |
| TSW | 10 | 11 | 13 | 13.0 |
| Hobby Center | 20 | 22 | 24 | 8.0 |
| Play World | 11 | 11 | 11 | 26.0 |
| Playhouse | 15 | 16 | 19 | N/A |
| Toyco | 12 | 12 | 12 | 6.7 |

**DSN estimate*

Toy chains currently account for 14% to 16% of the country's toy sales, but industry sources expect that market share to grow to more than 20% by the end of the decade.

## notices of TRADE PROMOTIONS & ALLOWANCES

Glenbrook Laboratories

**TRADE NOTICE**

Periodically Glenbrook Laboratories offers promotional allowances and merchandising materials which are useful to all retailers stocking our products. From time to time, allowances are available for newspaper and handbill advertising, display and other consumer-oriented promotions. Details are set forth in specific promotional selling material. Proof of performance (tear sheets, copies of handbills, etc.) and proof of delivery (supplier's invoice) are required for payment of allowances. Our merchandising materials consist of newspaper mats and in-store display material, etc.

If you would like to receive specific details on available offers, send your name, address and telephone number to:

Sales Promotion Manager
Glenbrook Laboratories
90 Park Avenue
New York, N.Y. 10016

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**NOTICE**

You want your notices of trade promotions and allowances to be read and acted on. Discount Store News has created a special section devoted solely to trade promotion and allowance notices. And, because Discount Store News is subscribed to, read and respected by, key influentials in

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With almost 39,000,000 coupons circulating,
**hope you remembered to stock the Scotchgard® Fabric Protector!**

We're telling the "Hope you remembered the Scotchgard® Brand Fabric Protector!" story to more of your customers than ever. In 4-color ads in Reader's Digest, Ladies' Home Journal, House & Garden, McCall's, Better Homes and Gardens and House Beautiful.

So don't be caught with your stocks down. Feature plenty of Scotchgard® Fabric Protector. Remember, the coupons are circulating–39,000,000 of them! And the promotion allowances. Ask your 3M representative all about them.

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**The Great New Fiberseal* Dacron® Batt**

**Do your customers (and yourself) a favor, please:** make sure you stock an ample supply of Fiberseal Dacron, the new super batt now available from Taylor Made/Morning Glory. Quilters everywhere are going to love it!

**Hailed as a "quilter's dream" by a preview panel of quilting experts, this innovative product combines the best qualities of both bonded and unbonded batts.** Like a bonded batt, it is easy to handle; like the unbonded, it is soft and fluffy and drapes beautifully.

Fiberseal batts are composed entirely of Dacron polyester sealed in a unique heat process without any of the harsh, stiff acrylic resins used as a binder in bonded batts. Made in both comforter and quilt weights in all popular sizes, they are the latest addition to our complete line of cotton and polyester batting products.

**Order Fiberseal Dacron batts today from Taylor Made/Morning Glory, your one-source supplier for top-quality batting and quilted mattress pads.** Depend on us, too, for these other fine products: infant pads, quilts and pillows, mattresses, box springs and upholstered furniture.

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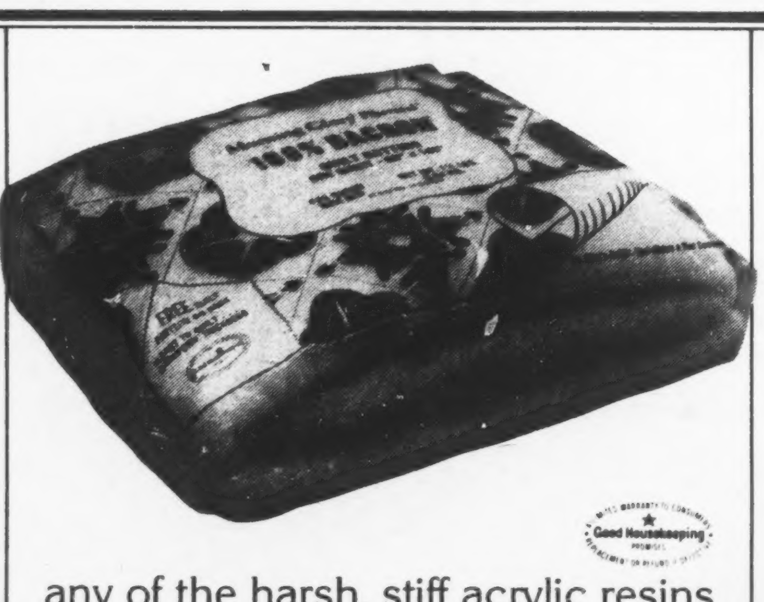

# Lionel Leisure's Acquisitions Take Chain to New States

PHILADELPHIA—Lionel Leisure, the second largest toy chain in the country, kept rolling along with its growth-by-acquisition strategy.

It picked up nine Fun City stores from TTH Corp. early last year and 17 Toy City stores with its recent acquisition of Consolidated Toys, a St. Louis-based wholesaler.

The chain's acquisitions blazed trails into Alabama, Arizona, Colorado, Louisiana, South Carolina, Texas and Virginia and contributed 18% of the chain's sales gain last year. Lionel's store count was further enhanced by the unveiling of 14 new stores, pushing the total to 96 units by year's end.

The company also operates stores under the Lionel Playworld, Lionel Kiddie City, Lionel Toytown and Lionel Toy City names. The chain plans to add approximately 20 toy stores in new and existing regions in 1981. Following a strategy embraced by many other toy retailers last year, Lionel stores went after sales at the expense of margins. Operating profit increased 11.3% to $11.6 million in 1980 compared to a 52.4% operating profit gain in 1979 and a 30.1% jump in 1978. Chain management blamed the drop-off in percentage gains on soft same-store sales, a "disappointing Christmas selling season," and reduced gross margins.

This 1980 strategy was a departure from that used in 1979, when the chain bolstered gross margins and trimmed operating expenses. The result was a sales increase for both 1980 and 1979 of 36%, with 1980 sales reaching $206.7 million. Twelve per cent of that gain was generated by the 14 new stores; same-store sales climbed 6% as compared to the previous year.

Cost of sales in the last fiscal year was 69.2% of sales, 1.8% greater than in 1979. Management reported that the increase was linked to the acquisition of Fun City and Consolidated Toys' Toy City stores, both of which traditionally operated at lower gross margins than do Lionel stores.

Lionel clamped down on selling, general and administrative expenses, reducing them to 25.7% of sales in 1980 from 26.3% a year earlier—primarily as a result of stringent cost-reduction programs. Lionel's toy stores contributed 72% of total corporate sales.

# Cole National Acquires Child World Toy Stores

AVON, Mass.—Child World, operator of Children's Palace and Child World toy stores, became part of Cole National earlier this year.

Cole, a Cleveland-based specialty retailer which operates The Original Cookie Co., The Craft Showcase (hobbies and crafts), Things Remembered (giftware), The Key Shops and a chain of Optical Departments in Sears and Montgomery Ward stores, had sales in excess of $178 million last year. With the Child World acquisition sales will top $400 million this year, according to a Cole spokesman.

Child World operates 36,000-sq.-ft. stores in the Northeast, and in the Midwest, the stores operate under the Children's Palace name.

The toy chain currently operates 68 stores, has plans to open three more units by year's end, and "many more next year," according to the Cole spokesman.

Reflecting the acquisition, first-quarter results for Cole showed an 88% gain in sales from $36.5 million to $68.7 million. Also reflecting the acquisition, earnings tumbled into the red for a net loss for the quarter of $1.7 million. In addition, the Cole spokesman noted that "Child World always posts a 4th-quarter loss."

Despite their nearly 20% share of the retail toy business, specialty retailers took it on the chin last year, the result of a promotional frenzy that gripped the industry in the last months of 1981 and ate deep into margins.

Looking ahead to this year, the Cole spokesman said "we're hopeful that this year won't be as promotional."

# Circus World Prudent in '80, Eyes Future

TAYLOR, Mich.—Circus World took a conservative approach to business during 1980 to improve its cash position for future expansion opportunities, according to Sid Rubin, president and chief executive officer.

Circus World—which unveiled 23 new stores in 1979 to take first place in store count among toy specialty chains—scaled down its 1980 expansion program from nine stores to six. The move was in line with the chain's desire to build up its capital reserve.

New stores will be concentrated in Circus World's existing markets in Florida and Texas, which along with home-base Michigan, bring in the greatest volume. "We will place most of our efforts into improving our position in existing markets," said Rubin.

Rubin said the chain's efforts to become more promotional during 1980 won it a whopping 42% sales gain. DSN estimates the company's volume at $90 million—with same-store sales up nearly 10%.

To support its promotional activities, the advertising budget was fattened by one-half of 1 per cent of sales. At the same time, stricter inventory measures were taken: Inventory was whittled down by $7 million during 1980—ridding stores of non-productive items, especially hand-held electronic games—and more dollars were shifted into higher-margin, basic, "meat and potato" toys, according to the chain executive.

(The ad budget increase was more modest than that of some competitors, Rubin said, because Circus World stores can rely on the traffic-drawing ability of their regional shopping mall locations. Therefore, even in a promotion "war," Rubin felt his stores did not need to build up advertising as much as his competitors in freestanding locations.)

Rubin insisted that the expected nationwide slowdown of shopping mall construction during the next few years will actually open up new avenues of opportunities for Circus World. "Landlords are re-merchandising their malls to weed out poor tenants to make room for more viable tenants," said Rubin.

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And a big margin so you can make a solid profit.

As a result, America's Handyman gives you a great opportunity to cash in on our growing line of popular products.

A great start.

We're talking about products like Derusto Minute Finish, the fast-drying, high-gloss, industrial-strength paint with the rust-preventive primer in every coat. And Derusto Protective Coating, the extra-rugged, corrosion-resistant semi-gloss paint. Both available in regular or spray cans, too.

Or the other fast-moving Derusto products like tight-sticking Galv-A-Grip for galvanized and aluminum gutters and downspouts. And heat-resistant Barbeque Black.

Then there's deep-penetrating, weather-resistant Heart of America Latex Exterior Stain and our exciting new line of 5 Furniture Care Products: Refinisher, Tung Oil, Cleaner, Lemon Oil and Interior Wiping Stains. They come individually or in a complete do-it-yourself kit.

of America
Wood Stain

A great show.

A super product selection isn't all we have going for you, though.

We're going to expand our current advertising blockbuster with a campaign in 1981 that will reach more people with more eye-catching messages than ever before.

RING AROUND THE TUB
DAP
DAP

There'll be more new TV commercials on more super shows. And more new ads in more magazines, reaching more of your best customers.

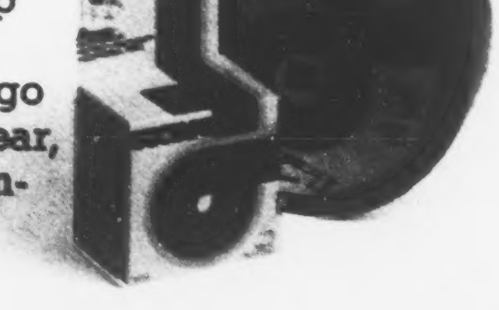
A big payoff.

What else can you get? The latest DAP displays. Like the colorful Derusto Spray Merchandiser, and great new Barbeque Black grill display.

We've got special money-making promotions for you, too.

A real winner. Arno Tapes.

There's an exciting addition to the DAP Family of famous fix-up products . . . rugged, all-purpose, stick-to-anything Arno Ductape. In handy header boxes and convenient shrink-wrap packages.



If you want to go with a winner this year, your DAP Representative has just the ticket.

## *Oshman's Big Unit Gainer; Herman's Cuts Expansion*

| Chain | No. of Units<br>May '80 | <br>May '81 | <br>Dec. '81 | Sales in Millions Last Fiscal Year |
|---|---|---|---|---|
| Herman's | 88 | 92 | 92 | $225.0* |
| Oshman's | 91 | 137 | 142 | 144.9 |
| Big 5 | 53 | 61 | 63 | N/A |
| Sunset Sports | 24 | 30 | 30 | 56.0* |
| Morsan | 8 | 5 | 5 | 15.2 |
| Dave Cook | 13 | 14 | 14-15 | N/A |
| Gart Brothers | 10 | 11 | N/A | 20.2* |
| Michigan | 8 | 8 | 9 | 18.0* |
| Brendamour's | 11 | 12 | 13 | 8.0* |
| Casey's | 6 | 7 | 8 | 7.7* |
| Colman | 4 | 4 | 4 | N/A |
| Hollywood Sports Plaza | 4 | 4 | N/A | N/A |

*DSN estimate*

Largest chains fared best in store growth last year, while smaller chains cut back expansion plans in the face of high interest rates and a tough retail environment. Two chains—Sunset Sports and Casey's—are setting up more factory liquidation stores. Zale got out of the business, selling 33 units to Oshman's. Herman's has stopped new-store growth.

# Growth Boom Over, Herman's Plans No New Units in '81

CARTERET, N.J.—The boom is over at Herman's.

After adding 19 stores in 1979 and a dozen units the year before, Herman's increased its store base by only four last year and has no new stores planned for 1981.

A spokesman at Herman's parent company, W. R. Grace, said the 92-unit sporting goods chain will concentrate on existing units and will probably not add another store for the next 18 months to two years. The only likely exception, the spokesman said, would be if an attractive site opened up in the lucrative New York Metropolitan market.

Herman's remains the top sporting goods chain in the country on the basis of volume—though Oshman's now holds a clear lead in store count.

(Grace lumps Herman's sales together with those of its jewelry stores in financial reports. Management had projected a volume of $225 million at Herman's for its last fiscal year [1980], according to a spokesman who refused to comment further. This target was a 15% increase from the year before. Herman's and the jewelry stores together achieved total volume increases of 19.7% last year.)

The drop in expansion plans reflects Grace's easing commitment to its retail operations in general. Earlier this year, Grace announced its intention to create a new company out of its nonrestaurant retail companies by selling a 50% interest over five years to Dutch retailer Vroom & Dreesmann B.V.

The deal encompasses in excess of 450 stores in jewelry, sporting goods, Western wear and home centers. Vroom & Dreesmann will pay Grace $90 million by the end of next year, and more than $200 million in total—with payments beyond the initial two years based on earnings multiples.

The selloff promises good things for Herman's future: A.C.R. Dreesmann, chief executive officer of the Dutch firm, has cited both Herman's and the home centers as areas of high growth potential, and reportedly wants to double the number of those stores over the next few years.

Grace executive vp Charles Erhart Jr. said the deal "enables us to have the advantage of a strong partner while conserving capital costs."

Vroom & Dreesmann operates more than 700 stores in the Netherlands, as well as banks and insurance companies. The corporation's sales were $4.3 billion last year.

To further set its retail group apart, Grace bolstered the group's management ranks, pulling out two of Herman's key executives for corporate posts.

Herman's president Norman Abramson was appointed senior vp of special projects, and Herman's senior vp of operations Simon Atlas was tapped as group senior vp of personnel.

Herman's new president is Bernard Cohen, formerly president of Save-A-Stop's retail division. Jack Smith, president of Grace's 146-store women's apparel chain, Diana Shops, has been named executive vp of operations at Herman's.

In merchandising changes, Herman's is taking advantage of the boom in athletic footwear by installing special departments in some stores called "Shoes for Sports." The chain is also trying to strengthen its appeal to women, who now account for 40% of its customer base.

Grace's retail group as a whole increased operating income 16% after taxes last year, with the home centers and Shepler's (Western wear) outperforming Herman's and other store types.

## Morsan Regroups On 5-Store Base

PARAMUS, N.J.—Morsan trimmed its operation down to a five-store base this year.

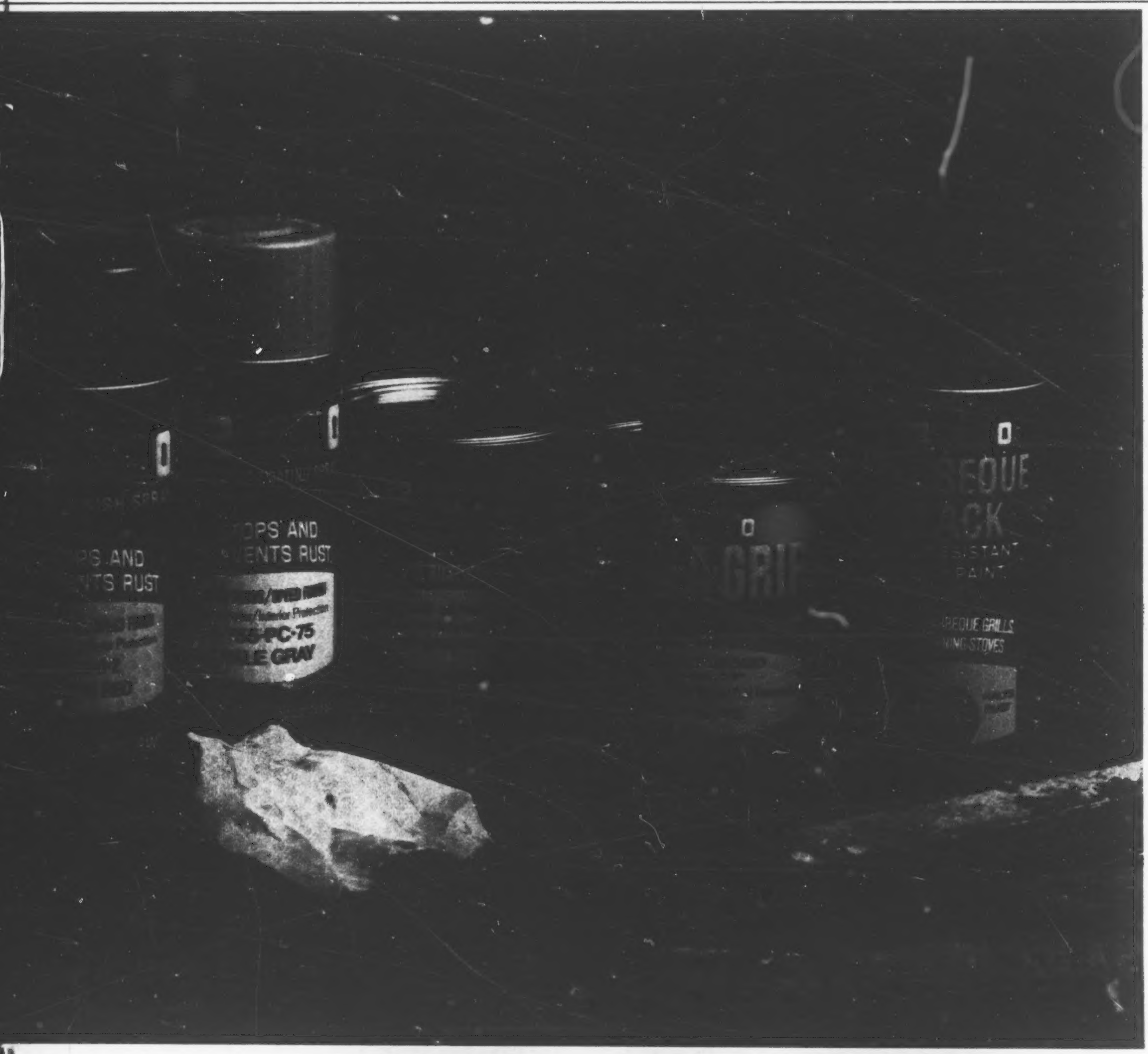
Morsan closed three of its eight units over the last year, pulling out of Westchester and Manhattan, N.Y., and Orange, Conn.

Sales for 1980 fell to $15.2 million from $20 million the previous year.

## Hudson Chairman Takes ARF Helm

WASHINGTON—Joseph L. Hudson Jr., chairman of J. L. Hudson and a director of Dayton Hudson, is the new chairman of the American Retail Federation. He succeeds Prentis C. Hale, chairman of the executive committee of Carter Hawley Hale, who will continue as chairman of the executive committee of the A.R.F.

The A.R.F. is a Washington-based umbrella organization that represents state and national retail trade associations and includes corporate members.



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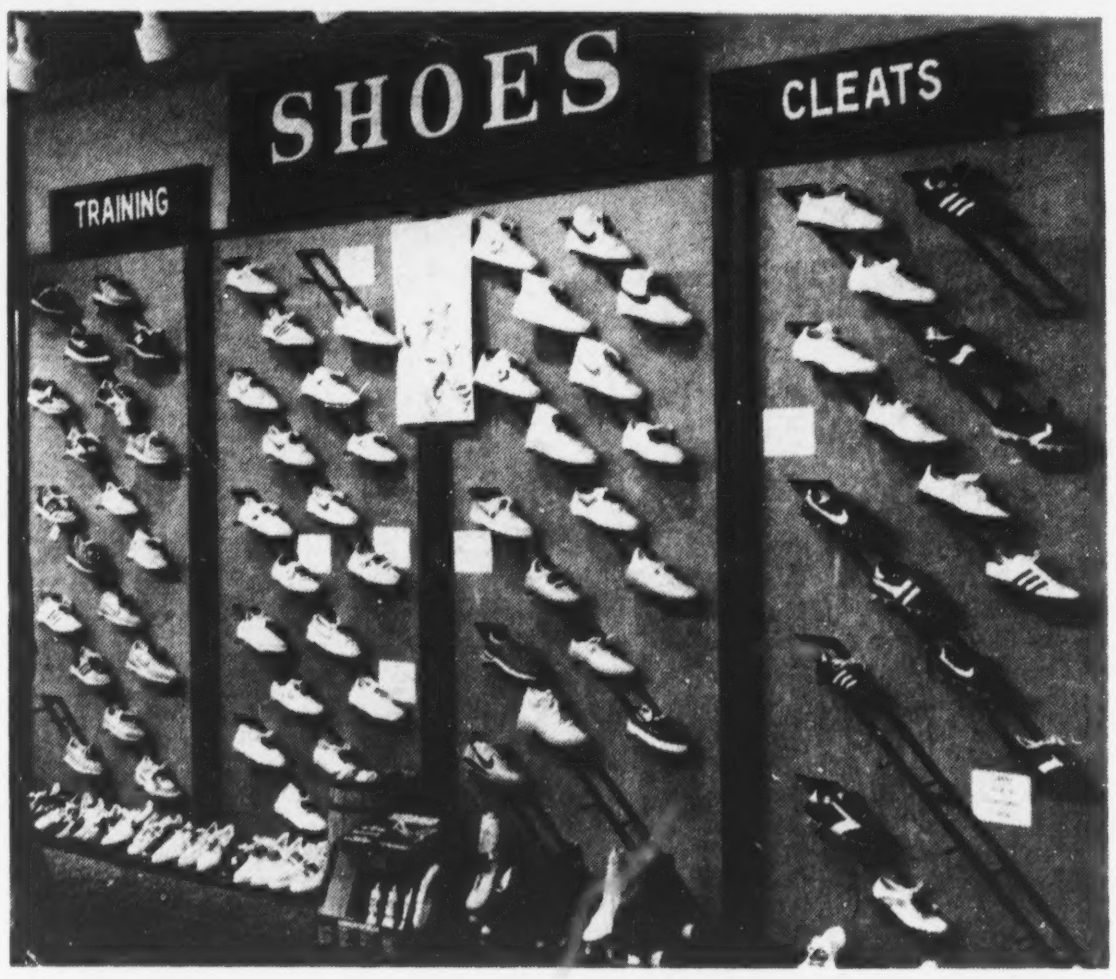
# Sporting Goods/Specialty Chain Census

## Oshman's Leads With 137 Units

Oshman's is now the clear leader among sporting goods chains with 137 stores, following the pickup of 33 stores from Zale. Volume still lags behind 92-unit Herman's, though Oshman's may hit $200 million this year.

Typical stores are 11,000 sq. ft., giving plenty of display space to broad assortments, even in space-consuming categories such as tents (l.) in this Stockton, Calif., unit.

The broad assortment of athletic shoes (r.) from the same store shows off the range of stock while maintaining economy of space.



## Oshman's Ups Store Base 50.5%

HOUSTON—The largest growth spurt in sporting goods specialty retailing over the past year came from Oshman's, which increased its store base by 50.5%.

Oshman's now operates 137 stores vs. 91 a year ago, establishing clear dominance as the nation's largest sporting goods chain by store number. Herman's, with 92 stores, is still the volume leader.

Oshman's volume may hit $200 million this year, however, bringing it closer to Herman's in sales. While Oshman's continues an aggressive expansion program, Herman's has stalled its store growth.

(The two chains do not compete head-to-head. Herman's is concentrated in the Northeast, while Oshman's has over 40% of its stores in Texas and almost as many in California.)

Most of Oshman's 1980 growth came from the $5.4 million purchase of 33 sporting goods stores from Zale late in the year. Zale sold off its 38-store sporting goods operation after several seasons of sluggish growth, despite earlier-announced plans to expand its store base.

Oshman's volume for the fiscal year ended Jan. 31, 1981, was $144.9 million, an increase of 11.5% from the year before, $135.0 million.

Earnings at Oshman's fell by 20% last year, with the fiscal 1980 net income totaling $5.0 million. The year before, net income was $6.3 million.

"The financial results were the product of general economic conditions," Oshman's treasurer Richard Bockart said, "and bad weather. What hurt us primarily was a lack of snow in markets where we depended on it." The Zale purchase did not affect financial results for the year, he added.

This year's volume will reflect the increase in store units. While dollar projections are not precise, Bockart said the sporting goods stores purchased from Zale represent "in the neighborhood of $35 million to $38 million in volume."

In addition, Oshman's will benefit from five stores it has added so far this year and another five to seven it plans to add by December. Management plans to have 142 Oshman's operating by the end of the year.

A better way to direct store traffic.

All retail store traffic is not on foot. Much of it is by telephone. Between customers and stores. Between vendors and stores. Between stores and stores.

Congestion anywhere along the line can lead to problems in customer service, employee productivity and all the other areas of information management.

The Bell System has a solution conceived to meet the needs of retailers. It's our electronic Dimension® PBX Retail System, a complete inter/intra-store voice communications system. Its more than 100 specific capabilities can help you increase sales, lower operating expenses, improve customer service and maximize profits.

It saves you costly duplication by letting you handle all incoming calls at one location for all stores. And it saves sales lost because of busy signals by uniformly distributing calls throughout your order department on a next-available basis.

Mervyn's is now using the Retail System throughout five western states, and JC Penney has installed it in Chicago, Atlanta and many other cities.

Applying knowledge of retailing and advanced communications to information management systems for retailers, that's our business.

A call to your Bell Account Executive can put our knowledge to work for you.

The knowledge business

## Specialty Chain Census/Sporting Goods

# Sunset on Fast Expansion Track

SALT LAKE CITY—Sunset Sports has been put on the fast track by its parent, Memphis-based food wholesaler Malone & Hyde. Growing from a base of 24 stores in mid-1980, the chain has added six stores for a 25% increase.

In addition, Sunset Sports operates factory liquidation outlets with discounted merchandise. This operation has now been expanded from the six units existing in January 1980 to 11.

This expansion significantly exceeds the two or three stores per year pace that Sunset Sports had maintained while it was privately owned. (Malone & Hyde acquired the company in January 1980, in a deal which one retail analyst pegged at $26 million in total cost.)

Stores currently run from 12,000 sq. ft. to 20,000 sq. ft. Malone & Hyde's management has stated a desire to expand the chain's total square footage by 20% a year for the next few years with new stores.

Primary building emphasis will be in Sunset Sports' home areas of Utah, Idaho, Wyoming and Arizona, although under Malone & Hyde the chain has also broken into the state of Washington.

### Upswing Noted

Two stores in Spokane and a unit in Kennewick were among the new stores added since last year in Sunset Sports' push into eastern Washington.

Malone & Hyde does not break out volume for Sunset Sports from its other specialty retail operations, which include drug stores. Malone & Hyde chairman J. R. Hyde III said, "Despite poor snow conditions in the ski areas where it operates, higher sales and earnings were obtained" by Sunset Sports over the first half of its present fiscal year.

The chain's prior track record was impressive. Sales and earnings had grown at an average rate in excess of 25% a year in its 13 years of private ownership.

In merchandising philosophy, Sunset Sports runs with sharp prices on high-identity items to compete with discounters, but carries broader assortments than either mass merchants or limited-line sporting goods specialists. Stores are serviced.

Sales per store run slightly more than $2 million. In fiscal 1980, sales per square feet were $160 chainwide, and Sunset Sports achieved 12% same-store sales increases from the year before.

A spokesman at Malone & Hyde said no new stores are planned to open before the end of 1981.

# Big 5 Doubles Growth, Opens 5 of 7 Units Set

HAWTHORNE, Calif.—Big 5 sporting goods has doubled last year's growth rate, with five of seven stores planned for this year already opened and two more scheduled by year's end.

Last year was a slow growth year for Big 5, with only three of a half-dozen projected openings for fiscal 1980 added to the 53-store base.

(Volume of the now 61-unit sporting goods specialist is not made public by its parent, Thrifty Corporation. Big 5 is operated as a subsidiary of Thrifty under the name United Merchandising Corporation. Thrifty, primarily an operator of drug stores, had sales of $949.3 million in its last fiscal year.)

Big 5 is building in its home base of southern California and Nevada, although the primary emphasis is on California where more than 90% of the Big 5 stores are located.

Rather than place its new stores in existing markets however, Big 5 has been breaking ground by entering new ones.

Store size is generally 10,000-12,000 sq. ft., though older units run slightly smaller.

# Sears Testing Video Catalog

WASHINGTON—In an experiment that could revolutionize the use of catalogs, Sears is testing a videodisc in six Washington stores, stores in Cincinnati and 1,000 homes across the country.

Sears' entire summer catalog of some 260 pages and some 10,000 items appears on the videodisc, complete with slides that list ordering information. The disc shows the merchandise in scenes similar to commercials. For example, Cheryl Tiegs models Sears sportswear. Actors demonstrate, for example, charcoal grills.

If the experiment is successful, Sears plans to put its other catalogs on videodiscs. The chain has already experimented in Ohio with a two-way system that permits viewers to order through TV what they see.

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# Census/Consumer Electronics

## Computers Key Sales Surge at Radio Shack

FORT WORTH—Radio Shack has tuned its merchandise mix and achieved sales growth in excess of 20% so far this year, in part, because of its home computer systems.

Radio Shack had 65 special-computer centers in operation at the end of its last fiscal year (June 1980), and almost doubled that number this year. In addition, more than 100 regular Radio Shack stores were given expanded computer departments for sales and servicing of its TR-80 computers.

Computers represented only 1.8% of Radio Shack's sales in 1978, but last year they accounted for 12.7% of the chain's business. This was a 50% increase from fiscal 1979, when computers represented 8.8% of Radio Shack's business. Figures for the fiscal year ended this month were not available.

The growing strength of computers shows in Radio Shack's other merchandising. Radios, tape recorders and phonographs combined represent only 18.7% of Radio Shack's volume. These categories, plus all stereo equipment, citizens band radios, scanners, electronic parts and accessories have all decreased as a percentage of Radio Shack's total sales over the last several seasons.

Those product lines which gained a bigger share of total business at Radio Shack last year were computers, telephone and intercom equipment and electronic games. These were tagged as growth areas for this year, too, according to Radio Shack executive vp John Roach.

In addition, Radio Shack entered the television business last fall for the first time, with a miniature black-and-white set combined with an AM/FM radio and two-color sets.

Radio Shack keeps its stock under close control, always carrying close to 2,400 sku's (with a 10% variance either way) in its typical store of 2,100 sq. ft. Gross margins on the heavily private label mix run in excess of 56% now.

Radio Shack stores in the United States represent approximately 80% of Tandy Corp.'s total volume, which was $1.38 billion for the fiscal year ended June 30, 1980.

Isolation of Radio Shack's sales so far this year show the chain to be growing at a pace only slightly slower than its parent corporation's consolidated sales, and at a pace significantly higher than last year's.

For the 2nd quarter of its fiscal year, Radio Shack sales were up 16.8% from fiscal 1980. Stores which had been in operation for more than one year had gains of 8.4% for the quarter. For the 3rd quarter of this fiscal year, Radio Shack sales were ahead of last year by 24.9%. Stores that had been in operation both years showed gains of 13.3% for the quarter.

In fiscal 1980, same-store sales increases at Radio Shack were 6%, down from the previous year's same-store growth rate of 10%.

The total store base at Radio Shack is up only 1.7% from a year ago, with 6,150 units operating in the United States compared to 6,045 operating in May 1980.

## *Slow Growth Marks Year for Consumer Electronics*

| Chain | No. of Units May '80 | May '81 | Dec. '81 | Sales in Millions Last Completed Fiscal Year |
|---|---|---|---|---|
| Radio Shack | 6,045 | 6,150 | 6,400 | $1,128 |
| Team | 115 | 115 | 125 | 55 |
| CMC | 58 | 58 | 58 | 50 |
| Kelley & Cohen | 43 | 44 | 44 | 66 |
| Sam Goody | 29 | 32 | 32 | 74* |
| Newmark & Lewis | 17 | 18 | N/A | 33* |
| Atlantis Sound | 10 | 10 | 10 | N/A |
| Pacific Stereo | 89 | 89 | 89 | N/A |
| Lafayette | 8 | 8 | ** | ** |

**DSN estimate*

***At presstime, Lafayette Radio was about to be bought by Ward's Co., Richmond, Va.*

Consumer electronic chain sales made little headway in 1980, leaving most chains looking to video discs and cassette recorders and the 1st wave of home computers to generate consumer interest and sales.

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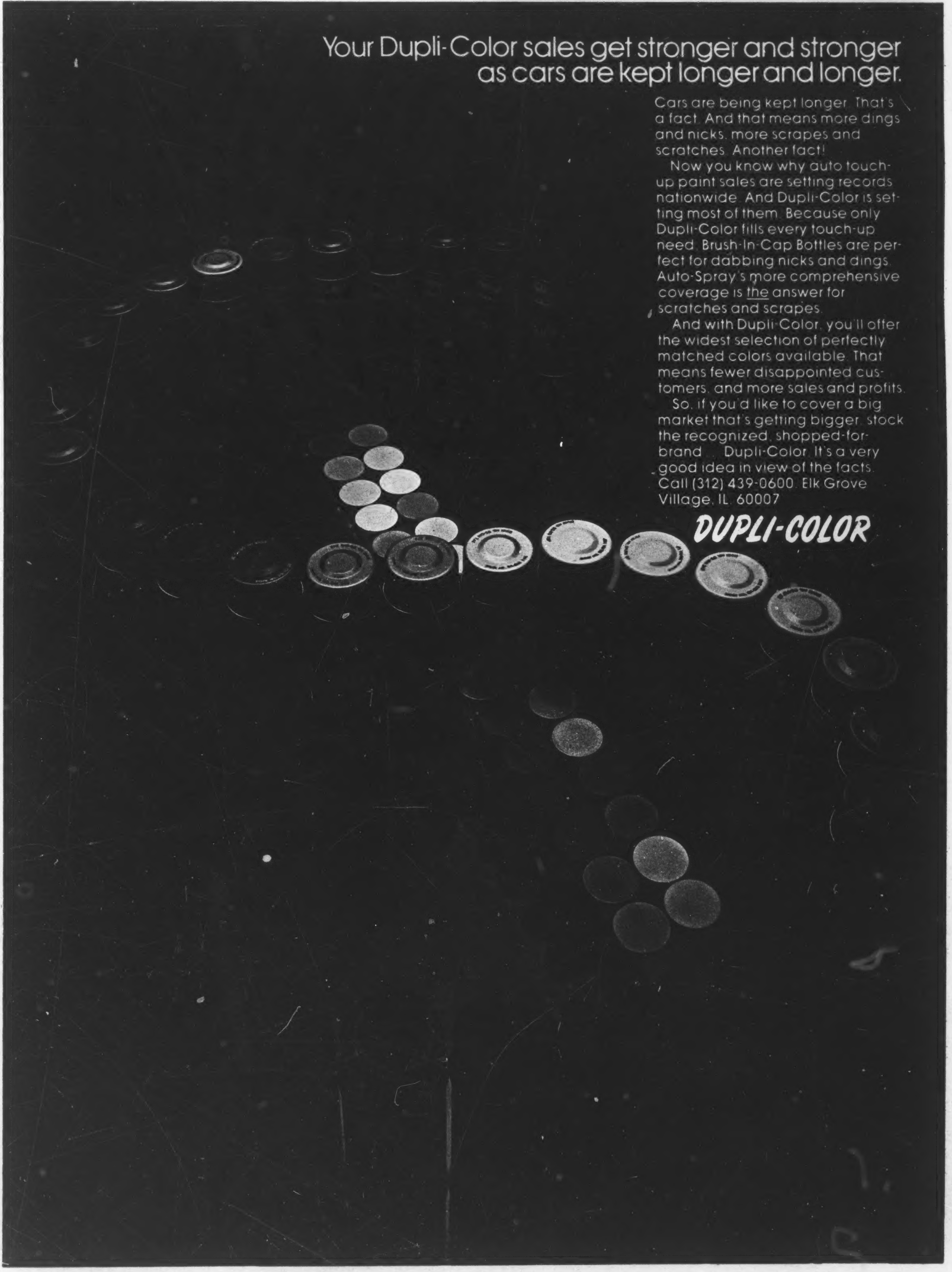
Rush-Hampton Industries at the Housewares Show.



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TEAM ELECTRONICS

## Video Discs, Computers Seen as Major Part of Team's Future Growth

MINNEAPOLIS—Both video discs and recorders and computers should be a major part of our future growth, "reported Gary Thorn, executive vice president of Team Electronics.

Already the company's 115 stores have experienced a shift in their merchandise assortments: Micro computers from Atari and Apple, for example, carrying an average price ticket of $5,000, have been selling steadily.

Video discs and recorders are starting to see a pick-up in business, Thorn said, as are the "new so-called personal stereo systems" by Sony, Sanyo and Panasonic.

Atari's recent knock-down on the price of its low-end computer, to roughly $349, should also help stimulate business, he said.

## Team Closed Its Company-Owned Stores

MINNEAPOLIS—Team Electronics will add 10 new stores to its 115 unit base this year, but unlike last year when the company operated 10 company-owned stores, all stores are now franchised outlets.

"We bought the company from Dayton Hudson, which was a supporter of the company-owned strategy," explained Gary Thorn, Team executive vice president, "but we feel the franchise business is where our strength lies, and so we're going to develop that."

One hundred and fifteen stores now bear the Team name in 19 states, predominantly in the Northwestern quadrant of the country, including two stores in Alaska.

This year the company will open 10 more stores, including a second in Oklahoma City. The chain's first Oklahoma City unit opened earlier this year: "It was our first Southern store," Thorn said.

While the stores are clustered around major markets, Thorn added that team management generally encourages new owners to open in secondary and tertiary markets, "where they can afford the [advertising] costs."

All stores are supplied out of the company's single warehouse in Minneapolis. "Better than 90% of dealer purchases came from our warehouse last year," Thorn said.

Sales last year brushed past the $55 million mark and are expected to close in on $60 million this year.

In addition to supplying merchandise, headquarters supplies all of its member stores with physical services: "Everything from helping them with bank negotiations to co-op advertising to management information services," according to Thorn. In 1982 the company will go on-line, replacing its current manual reporting system with a computerized system.

The stores are currently on-line (via telephone) to the Minneapolis warehouse for reordering purposes.

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New Ultra™ Super Glue offers what your customers want most.

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**Independent consumer research and technical laboratory testing proves** that five out of ten customers prefer a multi-purpose super glue that "works on almost everything."

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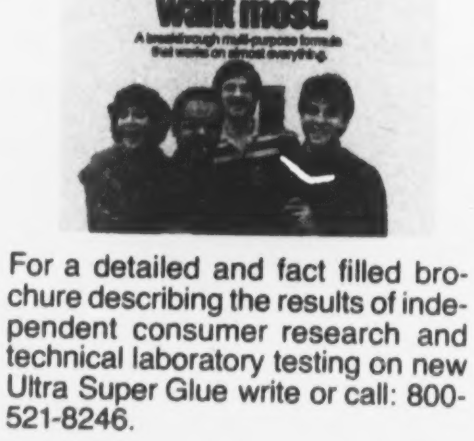

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## Video Cassette Recorders Boost T.G. & Y. Mix

While most of its consumer electronics merchandise holds to the middle of the price-point road, T.G. & Y. added video cassette recorders to the CE departments of a handful of select stores. *(DSN photo)*

# Good Chance CMC Stereo Will Add Home Computers by Year End

ST. LOUIS—Home Computers may be on-line at CMC Stereo Centers by year's end.

"We currently do not handle any of the new home computers," reported Wayne Stevenson a merchandiser for the 58-unit chain, "but there is an excellent chance we will add them to our general merchandise line before the end of 1981."

The market position for the chain is that of complete audio/video store with installation bays for auto-sound installation: "We don't carry air-conditioners or appliances," Stevenson said, and while the chain does carry high-end equipment, "we don't carry any of the high-end lines."

The stores of the privately held chain are all company-operated and scattered across the eastern half of the country in major metro markets.

The company, which had sales of $50 million last year, has no plans to open new units this year.

"Economics prohibited us from opening new stores last year," Stevenson explained, "and while we would like to be able to add new stores as replacements—and we are looking at specific markets—we have no plans at this time to open new stores."

# Kelley & Cohen Puts in Home Computers Now

PITTSBURGH—Kelley & Cohen is making the move into home computers.

President Jim Sachs told DSN that the chain will have an Atari home computer (model 400) in stores within the next 30 days.

"I don't anticipate a large sales volume from it, but we have to be in the business," Sachs said. Kelley & Cohen has been planning to stock home computers for some time. Other consumer electronics specialists, such as Radio Shack, are heavily into the category.

The Atari unit will retail near $400, which is at the low end of the home computer market. Sachs said a customer will be able to buy the computer and a complete software kit—excluding a printer attachment—for $1,000.

Sachs noted that inventory investment required to stock many newer product lines in electronics, such as video disc players, keeps assortments limited. Kelley & Cohen has one sku in a video disc player.

"We have the RCA video disc player, but we won't be going any deeper into the category," Sachs said, citing a limited base of consumers at present who wish to purchase movies and play them at home.

Kelley & Cohen's video disc entry is a lower-ticket offering than laser disc systems, but Sachs does not see incompatibility between the three major types of video disc systems as a problem.

"The difference between disc systems gives consumers a choice, just as they had a choice between beta and VHS systems in video recorders," Sachs said, "and both types of recorders sold well. I wish this category would take off. I'd be more than happy to sell them all."

The Pittsburgh-based chain has added another store since last year, a 5,000-sq.-ft. unit in its home city. Most of Kelley & Cohen's stores run close to 5,000 sq. ft., although the chain also has some "super stores" of 8,500 sq. ft.

Kelley & Cohen now has 44 stores, more than half of which are in the Pittsburgh area. Other stores are in Virginia, West Virginia, Kentucky and Upstate New York.

The company does not release its sales volume, although DSN estimates its volume to be near $66 million.

Sachs said sales increases last year equaled inflation on a store-for-store basis, with additional volume coming from the one new store. This year, Sachs said: "We have had a tremendous spring so far."

# Ward's Co. Takes Over Lafayette

SYOSSET, N.Y.—Lafayette Radio, the one-time specialty consumer electronic chain giant that went into Chapter XI last year, is about to recover—under new management.

The now-eight-unit chain will be acquired by Ward's Co., Richmond, Va., at the end of this month. Ward's, which also operates the Circuit City consumer electronic chain, plans to leave the Lafayette name over the door of the eight existing stores, according to a Lafayette buyer, but no plans have been announced to add new units.

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Cork
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Rubber
Glass
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Porcelain
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NEW MULTI-PURPOSE FORMULA BREAKTHROUGH
"Works on almost everything"

7/13/81 C 9150-3

**Vitamins Build Up Volume: P. 11**

**PMAs: H&BA, P. 14; Automotive, P. 26**

Discount Store News®

THE NEWSPAPER OF THE DISCOUNT DEPARTMENT STORE INDUSTRY

VOL. 20, NO. 13 Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. $2 a copy JUNE 29, 1981

# Chains' Local TV Ad Outlays Inch Ahead, Reflect Biz

## But, $$ Soar at Wal-Mart, K mart

*Nationwide DSN Report*

Local television advertising expenses profiled the hard-pressed discount industry in 1980, with many chains increasing expenditures just enough to keep abreast of escalating broadcast costs.

Only a handful of chains, Wal-Mart and K mart among them, poured considerably more money into local TV.

High-flying Wal-Mart increased its TV ad budget by nearly 90% to almost $6 million and industry leader K mart, bent on repositioning itself with a more upscale, fashion-oriented image, pumped 26% more dollars into local TV than it did a year ago, for a total of $17.6 million.

The 1980 figures were just released by the Television Bureau of Advertising (TVB) based on data supplied by Broadcast Advertisers Reports (BAR). BAR bases its data on local television monitoring for one randomly selected week each month, except in New York, Chicago and Los Angeles markets which are monitored full-time.

For K mart, the increase in local TV expenditures was offset by a comparable $3 million reduction (to $5 million) in network time expenses, a K mart spokesman said. Any differences after that were attributable to inflation. Overall, in its last fiscal year the chain spent $339 million on advertising, as compared to $301 million the year before.

For Wal-Mart—with approximately 7% of its advertising budget going into local TV spots—1980's increases were fairly abnormal, according to Al Johnson, the chain's senior vice president, merchandise and sales.

Last year was a year of dramatic growth, he explained, with the chain expanding its broadcasting of commercials from Tuesday to Friday evenings every week into 14 markets. This year will not see anywhere near that kind of increase, he said. Markets added this year included Dallas, St. Louis and Greater Kansas City.

(Continued on page 34)

### Expenditures of the Top 15 Discount Chain Local TV Advertisers in a Single Market

| Chain | Market | 1979 | 1980 | % change |
|---|---|---|---|---|
| **FedMart** | Los Angeles | $3,674,200 | $1,680,400 | − 54 |
| **The Akron** | Los Angeles | 349,700 | 1,439,400 | +312 |
| **Gemco** | Los Angeles | 1,406,300 | 1,381,100 | − 2 |
| **Zodys** | Los Angeles | 1,334,800 | 1,371,600 | + 3 |
| **Fred Meyer** | Portland, Ore. | 1,172,000 | 1,336,800 | + 14 |
| **Richway** | Atlanta | 1,189,100 | 1,251,100 | + 5 |
| **Wal-Mart** | St. Louis | 638,200 | 1,237,700 | + 74 |
| **Two Guys** | New York | 2,234,000 | 1,233,300 | − 45 |
| **Wal-Mart** | Dallas | 593,500 | 1,040,900 | + 75 |
| **Target** | Minneapolis | 502,800 | 884,200 | + 76 |
| **Target** | Denver | 269,700 | 840,100 | +211 |
| **Target** | Dallas | 338,500 | 831,700 | + 64 |
| **Korvettes** | New York | 1,499,700 | 787,800 | − 47 |
| **Gemco** | Houston | 529,500 | 776,300 | + 47 |
| **Wal-Mart** | Kansas City | — | 755,200 | — |

*Source: Television Bureau of Advertising based on Broadcast Advertisers Reports (BAR) figures.*

*Editor's notes:*
*1. National chains (K mart and Woolco, for example) have not been included in the above listing. 2. Local TV dollars have been adjusted by BAR to closely approximate the level of FCC local dollars in the 75 monitored BAR markets. They are not comparable to previously published data. 3. Most co-op activity is credited by BAR to the manufacturer and not to the above local advertisers.*

# Widespread Gains Seen From Pamida's ESOP

**By Doug Stinson**

OMAHA—Pamida's ESOP (Employee Stock Ownership Plan) sounds like a silver lining without a cloud.

The employees gain, because they will be receiving a share of ownership in the company proportionate to their salary as a percentage of the total qualified payroll, at no cost to them.

The former owners (shareholders) of the company gained by receiving for their stock in a closely held company a price well above the market value at the time tendered. Those who did not tender their stock are now shareholders in PMD Investments Inc., the investment company that is the remains of the old Pamida corporation, which makes investments only in tax-free securities. (Previous chairman of the board D. J. Witherspoon was the major shareholder in the old Pamida corporation, and remains the majority shareholder in PMD. DSN estimates his personal, tax-free income from PMD alone to be in excess of $1 million annually.)

But most of all, the new Pamida corporation gains. It is entitled to make a contribution of 15% (maximum) of the payroll of qualified ESOP employees each year to the ESOP, which operates basically like a trust for the employee-members. That 15% contribution—approximately $4.5 million, according to an ESOP spokesman—is tax-free. Then, because of the financing arrangement made at the time the ESOP was initiated, the ESOP returns that money to the corporation to be used in retiring the original bank financing ($19 million). That repayment to the banks allows them to release more Pamida stock from collateral, and that stock, when received by the

(Continued on page 31)

# Exterior Stains Seen Making Paint Dept. Splash

*Nationwide DSN Report*

Discounters expect exterior stains to brush by other paint categories in growth this year and next, as one of the true growth areas in the highly promotional department.

Chains ranging from K mart, Zayre and Wal-Mart to Target and Caldor are among those pushing wood stains in promotions, while others such as T.G. & Y. and Gee Bee report they are trying several sku's this season with deeper entries into the category possible next year.

"Exterior stains will probably be the single largest growth category this year," a spokesman at T.G. & Y. said. "Up until five years ago houses didn't have enough exposed rough wood to sell the stains in any volume. But, I'd say 60% to 65% of the housing starts in our markets over the last five years have had rough wood on the exterior, and they are on their first or second cycle to be restained."

T.G. & Y. expanded its brand national line of exterior stains this year, and reportedly plans to add six sku's of private-label stain next year.

Consumer reaction outside the Sunbelt may be less marked, however. At Gee Bee, a buyer reported: "We are looking for a lot of growth from stains, too. We put Olympic in three of our stores this season as a test, and are promoting it heavily to give it some exposure."

Gee Bee is running eight colors in a semitransparent stain, but results of the test so far have been mixed.

(Continued on page 29)

# Ole´! Wal-Mart, Futurama to Open 1st Store in Mexico

**By Christine Haggerty**

BENTONVILLE, Ark.—Wal-Mart and Futurama, a Mexican chain of food and general merchandise combo stores, will open their first store in two or three months under a newly formed partnership, Sam Walton, chairman, announced at Wal-Mart's annual shareholders' meeting here.

Wal-Mart will help finance the Mexican chain's future expansion and will act as consultant on store design, merchandising and management skills, in exchange for a 49% ownership, Jack Shewmaker, Wal-Mart's president and chief operating officer, explained later. Shewmaker and Rob Walton, senior vice president, secretary and general counsel, will serve on Futurama's board of directors. The first store, which will bear the Futurama name, will be located in Juarez; two other border-town stores are planned for 1982.

Wal-Mart's plans for its own store and distribution center capacity are forging ahead: Fourteen of the 60 store openings slated for 1981 have taken place; another approximately 25 older stores are due to be remodeled, expanded or relocated, and the Bentonville and Searcy, Ark., distribution centers are currently being enlarged by 202,000 sq. ft. and 142,000 sq. ft., respectively.

Overall, the chain will grow to 400 units by 1985—and it has put into place a systematic program for remodeling units five years or older into the format

(Continued on page 29)

Sam Walton, Wal-Mart's chairman and founder, opened up the annual shareholders' meeting by outlining the chain's achievements over the latest fiscal year. (DSN photo)

## $1-Million-Item Contest Is Under Way

BENTONVILLE, Ark.—Wal-Mart shareholders were treated to a glimpse of the Million Dollar Item contest at this year's annual meeting.

Each of the chain's regional vice presidents and Sam Walton, chairman, Jack Shewmaker, president, and David Glass, executive vice president, chose one item or area which they feel can exceed the $1 million sales level this year.

Shewmaker's choice was Wrangler jeans, which got a promotional shot in the arm during the second week of June, when the chain initiated its Western Day Sale.

The promotion corraled Wal-Mart's entire selection of brand-name western wear, including belts, boots and hats—an apparel program that chain executives believe will exceed $82 million in sales in 1981. Retails dropped 25% on the average on men's, women's, boys', juniors and misses Wrangler jeans, and Ely-Walker and Champion western-look shirts. These items were given top billing on promotional tables running through Action Alley—the aisle which travels from the store entrance to the back.

Western shirts and jeans (10 items) were featured in chainwide TV ads, as well as in the week's ROP ads. Thirty-five stores held rodeo events, square dancing, and country-western music bands played in the parking lots.

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# Hartfield-Zodys Adopts Plan to Restructure

BEVERLY HILLS, Calif.—Plans for the restructuring of Hartfield-Zodys under the umbrella of a new holding company called HRT Industries Inc., and the possible sell-off of the Hartfields junior apparel store chain were detailed at a shareholders' meeting here.

The reorganization, expected to be completed by late summer or early fall, is contingent upon positive rulings from the Internal Revenue Service and other Federal/state regulatory bodies, Edward D. Solomon, chairman president and ceo told shareholders who then voted to approve the plan.

The restructuring will provide greater organizational and operational flexibility, he said, and will allow the retail/manufacturing concern to "more accurately allocate corporate costs to its various divisions." Such a restructuring will also make future acquisitions easier to accomplish or aid in the disposition of any of its present divisions.

While the company is not currently involved in any acquisition talks. Solomon said that it is considering selling off its 74-unit Hartfields division. No negotiations for such a sale were taking place at presstime, but future expansion plans for Hartfields, a junior women's and children's apparel chain, have been curtailed.

(Hartfields, however, not unlike other junior women's apparel stores, has been hard hit by the depressed economy. Barkers took a similar hard look at its apparel division and sold off its Petrie stores operation earlier this year. Over the last 18 months, sales and contribution to Hartfield-Zodys' corporate profits have eroded, with sales rising only 5.5% to $35.7 million in fiscal 1981.)

Under the restructuring, Hartfield-Zodys stockholders will become the owners of HRT Industries and common stock will be converted on a share-for-share basis into common stock of the new holding company.

According to the proxy statement, "the board of directors has concluded that the rearrangement of the corporate structure into a parent holding company owning various subsidiaries, directly and indirectly, will conform the corporate structure of the company to the desired allocation of management responsibility, thereby facilitating more effective management and administration."

Initially, the only direct subsidiary of HRT Industries will be Hartfield-Zodys Inc., which will continue to operate Hartfields and Zodys. The company's existing subsidiaries: Karl's Shoe Stores Ltd., including Shoe Stop (self-selection shoe stores) and Karl's (family shoe outlets), and Jody-Tootique, its women's apparel manufacturing arm, will become indirect subsidiaries of HRT Industries.

The reorganization will be effected through a three-party or "triangular" merger involving Hartfield-Zodys Inc., and two newly formed wholly owned subsidiaries, all of which are Delaware corporations.

In addition to forming HRT Industries, the company also created H-Z Subsidiary Inc., a wholly owned subsidiary of HRT Industries, solely for the purpose of implementing the reorganization. H-Z Subsidiary Inc. will disappear as part of the reorganization when it merges into Hartfield-Zodys Inc. At presstime, neither HRT Industries or H-Z Subsidiary had any business or properties of its

(Continued on page 34)

## Is Zodys Dealing For Gold Circles?

LOS ANGELES—In the wake of the closing of Gold Circle's seven California stores, reports that Zodys, the discount department store division of Hartfield-Zodys, is negotiating for all the locations have gained momentum.

While Zodys officials would not confirm or deny that talks were taking place, the move would be a logical next step for the discounter. Last October, Zodys expanded its northern market perimeter by opening a 60,000-sq.-ft. unit in Stockton, its first entry into northern California, just 50 miles south of Sacramento, where three Gold Circle stores were closed.

# KKR Ups Fred Meyer Takeover Ante

PORTLAND, Ore.—In a third attempt to effect a leveraged buyout of Fred Meyer Inc., Kohlberg, Kravis & Roberts (KKR), a New York-based investment firm, boosted its takeover offer $10 to $55 per share, at presstime.

The bid for 7.3 million shares could total as much as $401.5 million, if the deal excluded the financially troubled Fred Meyer Savings & Loan operation, which was reportedly sold for $24 million but is still pending Federal and state approval. If the savings and loan operation is part of the transaction, KKR's offer would drop to $53 per share.

The newest bid, which follows two separate—and rebuffed—leveraged buyout offers of $45 per share, comes on the heels of Meyer's own board of directors' agreement in principle to acquire about two million shares from the estate of the late Fred G. Meyer for approximately $90 million ($45 per share) in cash and a note. The estate, still in probate, owns 28% of the stock, the largest single block of outstanding shares.

The board will vote on the KKR offer at a future meeting. No date for that meeting had been set at presstime.

Prior to the KKR offer, the Pacific Northwest retailer's board had assured shareholders that the stock buyup would aid the company's growth and would be in the shareholders' best interest. Industry observers also pointed out that such a move might also squash any further takeover attempts.

Now with KKR's renewed interest, at a much more favorable price per share, Meyer's board will really have to pull something out of a hat to justify passing up the $55 per-share offer, in the view of Jeffrey Atkin, a security analyst with Piper, Jaffray & Hopwood, Seattle. In recent weeks, Fred Meyer's stock has been trading for around $38 a share.

While the board was being outbid by KKR, the ongoing infighting at the chain between the four estate trustees—

(Continued on page 31)

# Two Guys Shutters Its Last 7 Supermarkets

GARFIELD, N.J.—Two Guys has shut its last seven supermarket departments, marking the second time that the discounter has closed down its unprofitable food operation.

The closing at presstime came about two months after the shutting of four other food departments; the 11 units were all that remained from the discounter's second go-round in supermarketing.

The food sections played a very minor part in Two Guys' continued losses from its operations.

The discounter in the first quarter ended May 2 had a net loss of $7,662,000 as compared with a net loss of $3,783,000 in the same period in 1980.

The 1980 net loss, however, came after Two Guys received a $3.9 million tax benefit so that the pretax loss for the quarter was $7,683,000.

Two Guys' sales in the 1981 quarter, including leased departments, were $121,937,000, down 1.9% from $124,322,000. Company-owned sales of $116,193,000 were down 2.5% from $119,224,000 in the period last year.

Two Guys had closed down all its supermarkets about a half dozen years ago because they were unprofitable, only to reopen about two dozen units as a traffic draw.

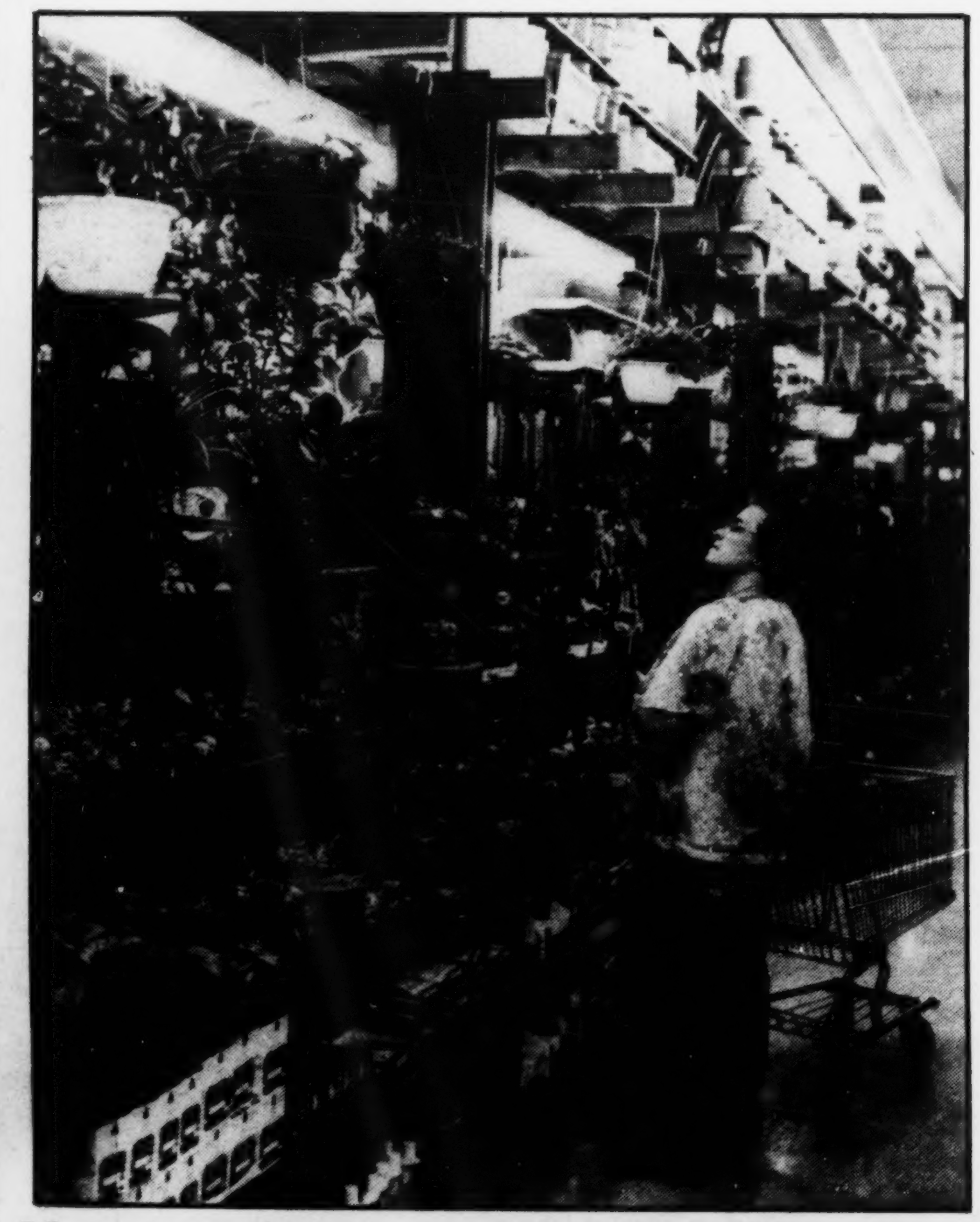
An executive said that this idea wasn't attractive in the current economy with high interest rates and the greater competition for supermarket sales from such food chains as Pathmark and Grand Union.

No decision has been made on use of the store footage used by the supermarkets.

The space freed by past supermarket closings has been used to expand Two Guys' general merchandise footage or has been leased out, in some cases to other supermarkets.

The last seven supermarkets were in Two Guys in Kearny, Woodbridge, Union, Totowa and Jersey City, N.J., and Allentown and Bethlehem, Pa.

## Spotlight on: Garden Boutique



## Margins Bloom in Wal-Mart Greenery

In its Rogers, Ark., store, Wal-Mart creates a high-gross-margin garden boutique with a wooden modular frame that displays potted plants in a terrace effect and mass displays garden accessories on shelves underneath. *(DSN photo)*

# Raylass to Close 5 of 11 RDR Stores

NEW YORK—Raylass will close five of its 11 RDR Discount City Stores in favor of an expansion program for its junior department store chain.

The company, whose combined sales for the fiscal year ended in January 1981 totaled $10 million, is shuttering the five RDR units because they are unprofitable, according to Fred Raiff, president.

Sales for the current fiscal year—which will include expected volume from two Raylass junior department stores scheduled to open in October—are being projected at $5 million. But, Raiff anticipates the shift in retail emphasis will improve bottom-line results by approximately 20% a year.

The Rayless stores specialize in highly promotional, low-end, soft line mixes for an ethnic audience. The move away from discounting will allow the company to concentrate on what it does best, according to Raiff.

The company will use the $800,000 expected from the liquidation of goods to open two stores in downtown Southeast locations later this year. Plans also call for four Rayless stores to open next year and six more in 1983.

The RDR closings—in Waynesboro, Ga., Simpsonville, S.C., and three in the Asheville, N.C., market (Fletcher, Swannanoa and Leicester)—were scheduled to begin at presstime and to be completed by the end of July. Two discounters are currently negotiating with Raylass for those leases, Raiff said.

RDR's were troublesome because of their shopping center or strip locations, their size (more than twice that of 12,000-sq.-ft. Raylass units), and expensive hard lines inventory.

By emphasizing junior department stores with a 90% soft lines and 10% promotional hard lines mix, the average margin is boosted to the 40% area.

## In This Issue...

WAX UP. A scarcity of April showers meant strong sales performances from automobile waxes and polishes, according to this issue's PMA. P. 26.

EXTRA STRENGTH. Discounters are beefing up H&BA sales by imitating drug and health food stores' vitamin assortments. They are broadening their mixes to include more profitable natural and private label offerings in addition to name brand selections. P. 11.

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Vol. 20, No. 13 June 29, 1981

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# TV Ads

*(Continued from page 1)*

In St. Louis and Dallas, TV commercials were tested for a year before a full go-ahead was given.

Dayton Hudson, whose Target discount division accounts for 38% of sales, spent $11.5 million on local TV advertising, 77% more than it did in 1979. Most of the greatest local market increases went to support new Target store openings. In Denver, Target TV expenditures jumped 211% over 1979 to $840,700, and in Dallas, 64% to $831,700. (In Minneapolis, increased TV expenditures were the result of a local newspaper strike, according to a company spokesman.)

Also consistent with 1980's sales patterns were TV advertising budgets for the Big Three—Sears, Ward and Penney.

A T.G. & Y. spokesman said that TV is playing a crucial role in the chain's repositioning of itself as a source for fashion ready-to-wear this year.

The chain currently devotes 10% of its advertising budget to buying TV time in 58 markets—23 of which were added this year—and will hold to that course in 1982. "We shifted from radio to TV in those 23 markets," he said, explaining how the chain was able to hold its TV expenditures in line with last year's broadcast outlay.

This broadcast schedule "covers roughly 90% of the discount stores in the chain, and roughly 85% of the chain's 1,000-plus units," he said, adding that the chain does no television advertising in California where it operates approximately 100 variety stores.

TV expenditures by F. W. Woolworth, Two Guys and FedMart paralleled sales developments at those chains as well.

According to a Woolworth official, TVB's United States Woolworth/Woolco figures are off. The correct expenditure figure for 1979 was $5,076,000 and for 1980 was $4,389,000. The cutback represents both the chain's withdrawal from some markets and a general reduction in television advertising expenditures. Earlier this year the chain announced a systematic evaluation of all operations and the closing of up to 30 stores, including perhaps seven stores in the Chicago market.

In Los Angeles—where it spent the largest portion of its television advertising budget—FedMart cut its expenditures by more than 50% of just over $1.5 million, buying 8,187 spots as compared to 11,7773 in 1979, according to a BAR spokesman.

At Two Guys, which lost $5.7 million on sales of $165.5 million in its last fiscal year (and another $7.7 million net loss the first quarter of this year) TV expenses were cut roughly 45%. A spokesman at the chain, however, said the cutback resulted from a January to July moratorium on advertising called by the new management team installed last year. This year, he promised, TV expenses—roughly 2.6% of the chain's ad budget—would rival 1979 levels.

The new campaign goes after reach rather than frequency, the spokesman said, with commercials now breaking on the Thursday night six o'clock news in preparation for Friday and Saturday newspaper ads.

The biggest single market gain in 1980 was in Los Angeles with The Akron increasing its TV expenditures by a whopping 312%.

A new president at the Thrifty Drug-owned hard lines discount chain made the difference, according to a company spokesman.

"We had done very little TV advertising before," he said, "and he saw this as a very good market for the cost effectiveness of broadcast media to pay off." TV advertising expenses will remain at this level for the current fiscal year, he said, although the chain's overall ad budget will be reduced "closer to the industry's average of 2.5% to 3.0% of sales."

# Zayre's Dixon Goes To Jefferson/Ward

MIAMI—Edward Dixon, vice president and Midwest zone manager for Zayre has joined the growing list of discounters joining Jefferson/Ward. Dixon will fill the newly created position of senior vice president, store operations.

The position was created to oversee the chain's "tremendous expansion" on the East Coast, a Jefferson/Ward spokesman said.

An 11-year Zayre veteran, Dixon will report to chain president David Kenney. Reporting to Dixon will be the chain's North and South zone managers.

# Sears' Volume Is Up 12.7% in May

CHICAGO—Sears reported sales for the four weeks ended May 30 up 12.7% to $1,442,788,712 vs. $1,280,207,868 in the same period of 1980.

For the 17 weeks ended May 30, sales were $5,793,920,991, an increase of 13.3% over last year's $5,113,533,047.

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# Hartfield-Zodys

*(Continued from page 2)*

own other than a nominal initial capitalization.

Hartfield-Zodys also announced the sale of its 20% interest in Three-D Department Stores. The stock in the company—which leases domestics section space in department and discount stores—was purchased for $300,000 three years ago and was sold last month for $1.75 million.

In light of the disappointing corporate earnings of $2.9 million on sales of $361 million for fiscal 1981, Solomon reported the company has tightened expense control, restructured corporate officer responsibilities to allow certain officers to devote more time in specialized areas, and taken steps to reduce inventory shrinkage.

In the Zodys division, the security staff was restructured and an employee incentive program established to reward employees with a share of the total savings of recovered merchandise. In addition, departments like jewelry and records are being redesigned with added security controls—railings and turnstyles—to reduce theft in those stores with exceptionally high shrinkage.

While sales for May exceeded H-Z projections by increasing 20%, first-quarter gains were more modest—up 11% to $84.7 million. Owner-operated sales for the retail division were up 15% to $76.3 million.

Net income for the quarter was down 70.2% to $209,000 from $703,000 a year ago.

The decline in income was attributed to a drop in income from Jody-Tootique, plus higher interest expense for the retail operations.